The China Weekly

REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

December 10, 1938

Racial Issue in China War

AN EDITORIAL

★

Democracies Triumph

IN 'BLOOD ALLEY' WAR

★

The Jewish Question

★

Yen Bloc in Japan's Program

BY WARREN HUNSBERGER

★

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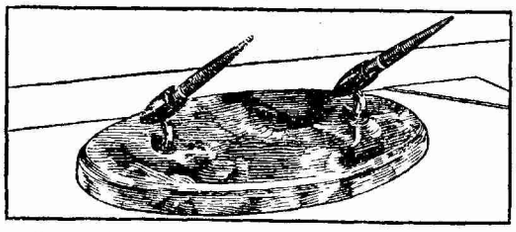

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What People Are Saying

Comments from Readers on Current Topics are cordially invited; their opinions, however, do not necessarily represent the views of the *China Weekly Review*.

About Ships

The Editor, *China Weekly Review:*

I am writing this letter for the interests of the public generally. Prior to the hostilities we paid 150 per cent less than the present rates and no extra charges! In every port, especially Shanghai, we must book the cabin or bed space through the travelling agents or the company itself, except steerage class. But it would be a surprise for you to know that after paying the passage fare, the passengers must pay an extra $3.00 or $10.00 to the compradores or their assistants (called runners) for camp-bed space. And, of course, this thing happened only to the steerage passengers. If you make a complaint to the compradore or to his assistant, the answer is:"—they came on board 24 hours before the ship sailed, you better discuss it with them—."

I have seen many poor children and women suffer because they have not enough money to pay for the extra charges. It's a disgrace to the shipping Companies if such practice is allowed to be continued, and a stop should be put to it at once! I should like to suggest that the companies station at least two Indian watchmen on board every coastal ship and instruct them to demand that the passengers produce their tickets before allowing them to put their campbeds on deck. It is sincerely hoped that the officials of the companies would look into the matter seriously.

JUSTICE.

Shanghai, Dec. 4, 1938.

Conditions in Soochow

The Editor, *China Weekly Review:*

Some of your Shanghai readers may be interested to know of the conditions prevailing in Soochow. Recently, my brother-in-law arrived from Soochow, where he works in the Soochow Silk Weaving Factory. I was told that 70 per cent of the Soochow residents have now returned to that Japanese-controlled city. They live in peace. Traitors are many and they use their utmost efforts to support and please the enemy.

Schools have been set up for boys and girls. In the curriculum the Japanese language occupies first place. Business has returned to normal, but 90 per cent of the goods on sale are Japanese manufactures. Buyers must pay for their purchases in notes issued by the Japanese military and not in national currency.

Night resorts are in operation and Japanese movies are being shown. These places are filled with people from all walks of life, except those who have been deprived of their occupations. In one cinema, according to report, a call for the overthrow of Chiang Kai-shek was thrown on the screen. Some present applauded. This is a stain on the dignity of China in the eyes of foreigners.

A SUBSCRIBER.

Shanghai, December 5, 1938.

The Yangtsze Problem

The Editor, *China Weekly Review:*

The Japanese Governments have again flatly refused to re-open the Yangtsze navigation by non Japanese vessels. The only reason given is that the guerilla menace is "so" grave that with their well known solicitude for the safety of third-Power vessels and goods the Japanese services could not consider allowing them to run the risks involved in navigating the Yangtse.

With the above-stated childish reason, the Japanese are "playing" for time to shut the door. If the Yangtsze is "full" of guerillas, why did not the Japanese open the Yangtszepoo and Hongkew districts? Are there "guerillas" in those districts too? Prier to the hostilities, Yangtszepoo and Hongkew were under the control of the Shanghai Municipal Council, and now as the "war" has moved 200 miles away from those places, why don't the Japanese hand them back to the S.M.C.? Would the Powers yield?

In my opinion, the Powers should not delay further. Strong action should be taken immediately, unless the white race wants to accept the destruction of its interests in China.

Thanking you for your space.

Y. S. CHANG.

Shanghai, December 5, 1938.

Relief Needs

The Editor, *China Weekly Review:*

Brigadier Morris' broadcast on Wednesday night so completely covered all phases of the work of his organization in Shanghai, that nothing remains to be said. There is great need for enlargement of his vocational school for street boys, at 180 Amoy Road. Given space and support, he can receive and train hundreds of these boys instead of being limited to 105.

(Mrs.) Chas G. McDaniel.

Shanghai, December 2, 1938.

THE CHINA WEEKLY REVIEW

Formerly Millard's Review

Cable Address "REVIEWING SHANGHAI"

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Volume 87 Shanghai, China, Saturday, December 10, 1938 Number 2

"DEMOCRACIES" WON IN INITIAL BLOOD-ALLEY TUSSLE

ON Sunday evening of this week two Italian San Marco Marines in approved Mussolinian manner attacked and beat-up an unarmed American sailor who was standing in front of one of the seventeen bars and cabarets which make up that notorious section of the French Concession known as "Blood Alley."

The American sailor and several of his associates who happened to be in the vicinity immediately adopted a "neutral and isolationist" attitude and withdrew from the district leaving the Italians in armed occupation.

With the apparent object of consolidating their gains, the Italians, now considerably reinforced, entered the most notorious of the cabarets, known as the "Frisco." Here they beat up a British sailor who apparently decided to follow British national policy in the Far East and also withdrew.

At this point several French policemen and sailors and one French police officer arrived on the scene—interior of the Frisco cabaret—which consists of a dancing floor with a bar at one end, a platform for the orchestra over the bar and numerous tables and chairs usually occupied by taxi-dancers and customers.

The Italian sailors, meeting their first real opposition, became hysterical and started hurling chairs, tables, bottles and other objects at the French police, who retaliated in kind. Finally the French police officer, in utter disregard of those residing or "entertaining" upstairs, fired several shots from his revolver into the ceiling, his object being to intimidate the San Marcoans and at the same time summon assistance. His efforts were successful for help did arrive and the Italians were trussed up and sent to the police station, but not before they had completely wrecked the Frisco, including the smashing of most of the windows. Two French policemen and one White Russian policeman were wounded on this sector.

What happened to the dancing-partners, most of them White Russians, was not indicated in any of the official reports. It was said that the American and British sailors, aside from applauding the French, did considerable rescue work.

The French police, now reinforced by sailors of their own nationality, proceeded to clear the district resulting in further clashes with Italians, one fight in another joint known as the Fantasio being so serious that several pools of blood on the floor indicated where Fascismo had gone down before Democracy, now fully aroused.

But more serious things were happening in the street outside. Italian reinforcements were arriving by land and sea, one detachment apparently having been landed from a gunboat in the harbor and another by truck from the Italian barracks. Both groups carried revolvers concealed inside their blouses and several shots were fired, fortunately into the air. Meanwhile bedlam reigned as French policemen also fired in the air and blew their whistles for reinforcements.

The Italians, seeing that the French meant business, did not advance into French concession territory, preferring to remain on the International Settlement side of Ave. Edward VII and shout Fascist imprecations. The arrival of French reinforcements, carrying revolvers and marching in military formation had a quieting effect on the general situation, but Italian officers had in the meantime also arrived and they finally induced the followers of Il Duce to return to their barracks.

A checkup the next day showed six Italians hospitaled, six in jail and the San Marco braves permanently barred from partaking of the carnal pleasures of Blood-Alley in future. Two French police sergeants, one Russian policeman, three Chinese constables and one French sailor were also injured.

French Democracy was in undisputed control of Blood Alley, which, for the first time since curfew was relaxed, had to close up shop and go to bed at midnight instead of awaiting daylight as usual.

The French decided to treat it as a "local incident" and not the beginning of the second world war!

***

Rumors have been in circulation for sometime that the French authorities are planning to abolish the Blood-Alley joints and convert the section into a modern retail district. The incidents of last Sunday night, which foreign correspondents vacationing here from the Sino-Japanese front at Hankow, facetiously referred to as the beginning of the second world war, narrowly missed being a tragedy.

Last summer two Americans were beaten up and robbed by gangsters employed by the Frisco resort and later on someone threw a bomb into the same joint resulting in serious injury to several American and British sailors.

Blood-Alley is notorious up and down the China coast and is an oriental counterpart of the joints of Barbary Coast in early San Francisco. The property is supposed to be owned by the E. D. Sassoon realty interests, while the rental of the property is allegedly handled by the office of Marcel Darre, a French land and estate agent. The legal representative and protector of the Frisco, most notorious of the resorts, is Paul Premet, a French lawyer, whose office is located at 160 Ave. Edward VII on the International Settlement side of the street, directly opposite the place which he watches over, legally speaking.

SERIOUS RACIAL ELEMENT IN THE SINO-JAPANESE STRUGGLE

AMERICANS concerned with the plan to amend the Neutrality Law with the object of restricting shipment of munitions and basic war materials to Japan, recently made some interesting and disturbing discoveries regarding the inroads of Japanese propaganda among American Negroes.

Emissaries sent to interview leaders of longshoremen's unions at Southern parts in the states of Texas, Louisiana and elsewhere found, to their astonishment, that many of the Negro labor executives were openly pro-Japanese. One outstanding Negro union leader in New Orleans laughed derisively at the suggestion that he should encourage his union to refuse to handle war shipments to Japan. He declared, "You white people are only jealous of the Japanese who are going to help the colored peoples to 'get even' with the whites." His further replies indicated that he had been deeply impressed by Japan's military prowess and that it had not occurred to him that Japan's wholesale slaughter and persecution of the Chinese constituted evidence of the hypocracy involved in Japan's propaganda that she was "uplifting" the colored races.

Japan first raised the "color" issue at the Versailles Conference when the Japanese delegation demanded the inclusion of a "racial equality" clause in the League constitution. The Japanese move was cleverly designed to undermine the positions of the "white" powers with their non-white dependencies, or minorities within their home domains, such as the Negroes in the United States. Little attention was paid to the Japanese demand, but it cropped up again at the Washington Arms Conference where it was discovered that the Japanese had been conducting a secret, but nevertheless potent, propaganda among the Negroes.

There were rumors that Prof. W. E. B. Du Bois, of Atlanta University, outstanding Negro educator, and editor of *The Crisis* who recently toured the Orient, had expressed pro-Japanese sympathies, but this was not confirmed.

At any rate the situation merits close consideration on the part of Americans, particularly in the South where most of the Negroes reside. It is a curious situation that the most potent pro-Japanese sentiment in the United States is largely centered in the southern states where the Democratic Party is predominant. The reason is due to four elements, all economic,—cotton, tobacco, steel and oil—all of which are shipped to Japan in large quantities. Those who have analyzed sentiment in the United States say that while public opinion in the South is overwhelmingly pro-Chinese, the powerful commercial interests represented in the chambers of commerce and trade associations are openly "pro-Japanese" and have exerted sufficient influence to even prevent Red Cross drives in support of Chinese refugees. This was the case in Birmingham, Alabama where the Chamber of Commerce refused to permit a Red Cross drive on behalf of Chinese civilian relief, the reason being that it might displease the Japanese who were leading customers for Birmingham's two chief products, steel and cotton. In other parts of the South, the tobacco interests were also found to be "pro-Japanese," due chiefly to the fact that they had made profitable deals with the Japanese in Manchukuo. In Texas it was found that both cotton and oil were "pro-Japanese" for similar reasons—Japan was a good customer and there was a fear that agitations against Japan might lead to a break in the domestic price, particularly cotton.

While America's treatment of the Negro, since granting him freedom from slavery three-quarters of a century ago, has been anything but exemplary, the Americans do not require the advice—or the propaganda intrigue—of the Japanese in enhancing the wellbeing of their colored citizens. The educational, economic and political status of the Negro in American life has steadily improved, due largely to the efforts of the Negro himself.

Any attempt to elevate his status artificially, through political alliance with the Japanese would only lead to disaster. Pro-Japanese sympathy among the Negroes, if such actually exists to any general extent, can be due solely to ignorance of the Negroes regarding Japan's treatment of her own subject races. Japan's treatment of the Ainus, aboriginal inhabitants of the Japanese Islands, as despised outcasts, has long been a national disgrace, while her treatment of the Koreans has been little better. The Koreans have been persecuted and exploited to such an extent that their economic and moral standards have degenerated. Today the Korean that one meets outside his own country is usually a desperate revolutionist and political assassin or a dispenser of Japanese-produced narcotics. This winter the unfortunate Korean school children are doing without woollen stockings and gloves in order that the Imperial Japanese Army may continue its conquests in China.

Good Harvests Are Expected

The Central Agricultural Experimental Station published their estimates regarding the agricultural productions for the winter crops of 1937 in the interior provinces. These estimates were compiled by the Station from reports received from 1,017 *hsiens* in Hupeh, Szechuan, Yunnan, Hunan, Kweichow, Chekiang, Kwangtung, Fukien, Kiangsu, Anhwei, Shantung, Suiyuan, Chahar, Ninghsia, and Tsinghai. and other provinces:

1. Wheat: 258,691 shih mow or 27% of cultivated land in China, as against 305,534 shih mow of the previous year. Production 349,519,000 shih *tan*.

2. Barley: 89,357 shih mow or 9% of the total cultivated area. Production 128,119,000 shih *tan*.

3. Field peas: 46,603 shih mow or 5% of the total cultivated land in China. Production—49,764,000 shih *tan*.

4. Broad beans: 40,872, shih mow or 4 per cent of the total cultivated land. Production—54,387,000 shih *tan*.

5. Oats: 14,740 shih mow or 2%. Production 7,150,000 shih *tan*.

Japanese Commands Are Changed

A change in the Japanese Command has already been effected, General Gen Sugiyama, former War Minister, replacing General Count Hisaichi Terauchi, as Japanese Commander-in-Chief in North China. General Count Terauchi has been recalled. General Doihara, Chief of the Special Service Section of the Japanese Army in North China, returned from Tokyo on Tuesday night and was reported to have brought with him completed plans for the new government of China.

Lieut.-Gen. Motoo Furusho, former Commander-in-Chief of the Japanese forces which effected a surprise landing at Bias Bay prior to the capture of Canton, arrived in Tokyo from South China Dec. 2. He was replaced recently by Lieut.-Gen. Rikichi Ando. Lieut.-Gen. Furusho will submit a report to the Emperor.

Lieut.-Gen. Toshio Miyake, who had been active on the South China fronts, arrived in Moji Dec. 1 on the Yamato Maru and started for Tokyo by way of Kobe to assume his new post on the Army General Staff.

Italy Adheres To London Naval Treaty

A note recording Italy's adhesion to the London Naval Treaty of 1936 was signed at noon Dec. 2 in the British Foreign office by Under-secretary of State Mr. Montague Scott on behalf of the British and by Ambassador Dino Grandi on behalf of the Italian Government.

Mr. Montague Scott subsequently handed Count Grandi a memorandum drawn up by the British Cabinet stating that although the maximum limit for battleships has now been fixed by the contracting powers at 45,000 tons, England did not intend to exceed for her part the limit of 40,000 tons, provided no other European power built ships of a greater tonnange.

It is announced that the British Government will inform without delay both co-signatories of the naval treaty, namely France and the United States, as well as all parties to bilateral pacts concluded by England-i.e. Germany, Soviet Russia and Poland-of Italy's adhesion to the London treaty.

"The War Is Over! Long Live the War!"

(Editorial Correspondence)

"THE war is over," Japan declares to the world. China replies, "Long live the war!"

The paraphrase of the famous phrase seems to fittingly symbolize reaction over the fall of Canton and Hankow.

If war is large-scale battles and movements of troops, then the Sino-Japanese war is nearing its end. In its stead, destiny is ushering a stage of consolidation of her territorial gains by Japan and revitalized passive resistance by China.

Sanguinary hostilities may yet rage in half a dozen provinces in this tortured land. The Japanese Army will undoubtedly push on in an attempt to capture Nanchang, Changsha and Henyang, in the rich Yangtse valley. Military operations are probable on strategically important Hainan Island, off the coast of French Indo-China, and in the southernmost regions of China, probably Kwangsi.

There is also a distinct possibility of a powerful Nipponese thrust towards Sian, the Chinese terminal of what the Japanese describe as the "Red Route" for munitions flowing from Soviet Russia to this country.

But all these operations, if they take place, will be of localized nature, designed primarily not to gain new territory but to round out Tokyo's widely publicised plan for the destruction of the National Government and the inclusion of China within the Japanese economic, political and military orbit.

The high command in Tokyo apparently realizes that its troops have over-run all the area they can reasonably expect to control. The aim now, therefore, is to cordon off this "occupied" territory and to proceed with the impossible task of effectively pacifying it.

Roughly, the cordon will extend from Canton to the snow-bound plains of Inner Mongolia, by way of Hankow and along the Yellow River, where it suddenly twists its course 90 degrees to run north to south.

With the main bodies of the Chinese Army entrenched in the mountainous areas of the southwest and in the barren northwest, the Japanese will seek to prevent the re-entry by these forces into the cordoned territory.

But much more important than the military will be the political and economic maneuvers. Major among these will be a cannily devised campaign to fan China's weariness with war and distress to a degree permitting co-operation with the Japanese in the economic rehabilitation of the country.

Tokyo's newly fangled slogans of "Asia For Asiatics" and "Let Japan Maintain Peace In East Asia" will be reserved for use at home and in Occidental countries. In China, the Japanese propagandists will play up the 'Peace and Bread' appeals used with such striking success in Russia 20 years earlier by Vladimir Lenin.

To the peasantry driven from its homes and fields by the war, the Japanese command will—already does—promise security and peace, if there is submission to Japanese bayonets. To the millions of city-dwellers dispossed by bomb, fire and looting, the Japanese will offer an opportunity to recoup the losses by trading in Nippon-made goods or working in Japansee-controlled and regimented industrial enterprises.

Simultaneously, the Japanese will accelerate their drive, launched about six months ago, to win the sympathy and backing of the wealthy class, which before the invasion formed one of the main pillars supporting the National Government.

In this campaign, no effort will be spared to deepen the landlord's and the industrialist's fear of an extension of Communist influence,—Communist, it is true, in name alone.

In this field, Tokyo's success can only be partial, for the Japanese themselves had hurt their chances of alliance with these groups by their wholesale and senseless destruction of material and human values at the outset of the war.

Today, the Japanese are seeking to restrict damage to industrial property. This "self-denial" is accompanied by extensive propaganda on the dangers of China's over-publicised "scorched earth" policy obviously designed to alienate the property-owners from the Government.

That the Chinese Government is clearly aware of the danger of this propaganda was demonstrated in the case of Changsha, an important Hunan town razed to the ground by over-zealous gendarmerie officers long before the arrival of Japanese troops.

"AND THE DAWN CAME UP LIKE THUNDER"

Russell in Los Angeles Times, reproduced herewith from Amerasia.

This cartoon, suggested by Japan's intervention at Canton, is based on Kipling's famous poem, "Mandalay."

Gen. Chiang Kai-shek himself visited the city's charred remains, made an investigation, issued an unprecedented order for the execution of a general in command and dismissal of the governor of the province, and ordered partial compensation to the homeless people.

But moral suasion will not be the sole means used by the Japanese to consolidate their control over the 'occupied' areas. Fire and sword will be used on a wide scale to exterminate the hundreds of thousands of guerillas and regular troops remaining within the cordoned territory and to hammer into submission the irreconcilable elements.

In this vicious campaign of repression, bitter samples of which China has been tasting for the past year, full use will be made by the Japanese command of "legislation" issued by puppet regimes and of their Japanese-officered armies.

Thus far, however, these puppet troops have been of doubtful usefulness to the Japanese. There have been many cases of "treason," when the puppet units turned

on their Nipponese advisers and officers and fled to the hills with their Nippon-made arms. There has also been a conspicuous reluctance on the part of these men to meet the guerillas in battle.

Japanese non-military activities in the next few years probably will follow four main channels. These will include:

1. Establishment and maintenance of a "federal government," set at the head of a very loose federation of little puppet regimes in Canton, Hankow, Nanking, Peiping, Kalgan and possible a few other cities, each supported by a Japanese garrison and ample Special Service Section. A loose Central governmental organization of this type will assure the Japanese that their own creation would not become sufficiently strong to challenge the orders of its masters.
2. Industrial and agricultural rehabilitation, which alone can result in the creation of powerful groups opposed to the continuation of war and anxious to come to terms with Japan.
3. Extensive exploitation of China's natural resources and markets, in order to secure at least a partial compensation for Japan's tremendous war costs.
4. Complete exclusion of foreign interests from China, both to isolate the Chinese from the contaminating influence of foreign political ideas and to reserve this country's vast market for Nippon-made commodities.

The Japanese have admittedly gained all the military victories they may have desired, although the army will not want to stop. Perhaps the only unfortunate feature of the situation, from Tokyo's standpoint, was the expensive delay and the heavy human losses in attaining the desired ends.

The second part of the Tokyo plan,—the digestion of the spoils of war,—will, however, prove much more difficult than the first one. It is relatively easy to punish the foe with a superior equipment; it is infinitely more difficult to make the foe co-operate in the enslavement of his own country. Tokyo's tasks will not be made easier by Communist agitation, foreign opposition and lack of capital for investment.

The position of the Chinese Government is likewise unhappy. While the Japanese admittedly do not control all the territory they have over-run, this vast area, from the financial-economic (but not political) point of view, has nevertheless been lost to the National administration.

Free China today includes the border provinces of the northwest, Szechwan, and the prosperous provinces of the southwest,—Kweichow, Yunnan, and Kwangsi. Several other provinces,—Hunan, Kiangsi (the Communist stronghold, 1927-34), Chekiang and Fukien—have been partly invaded and their governmental and economic machinery has been partially disrupted.

While potentially Free China's provinces are rich, their usefulness in the conduct of war has been greatly impaired by the severance of China's channels of communication with the outside world.

Today, only three routes precariously link China with her neighbors. These are the highways to Soviet Turkestan and British Burma and a railway to French Indo-China. All of these three roads are exposed to Japan air raids and at least one—that to Indo-China—hinges on the extent of French resistance to Japanese diplomatic pressure and threats.

To China, this paucity of contacts with the world spells two things—lack of funds and a munitions famine. With her monetary reserves abroad growing thinner, China must rely on exports to pay for war supplies. But the outflow of goods has been severely restricted by the cutting of the channels of communication with foreign markets.

China's main aims in the months and years to come will be twofold:

1. To maintain national morale and
2. To obstruct by all means possible Japanese economic projects in China.

To achieve these ends, the National Government will have to place reliance mainly upon a campaign of political education (especially propaganda in areas within the invaded zone but not yet controlled by the Japanese) and upon guerilla warfare. In both of these, the Communists, because of their excellence in propaganda and mobile fighting, will form the mainstay.

Much is already being done to educate the people. In the barren mountains of Shansi, in the rich and vast area spreading between the railways linking Peiping with Hankow and Nanking, in the coastal belt of North China, millions of people are receiving political education and learning the rudiments of guerilla warfare. To clear these provinces alone of irregulars and to establish a more or less stable pro-Japanese administration, would require Japan years of 'punitive expeditions' and immense sums of money.

China's fighting strength today is roughly estimated at 1,000,000 men in the standing armies, massed in the northwest and the southwest, and half that number of partisans, most of whom are Communist guerillas operating in North China.

The guerilla operations thus far have enjoyed a very moderate success, the most spectacular activities having been confined to Shansi. Elsewhere, the irregular units have failed to hinder seriously the re-opening of railways and the movement of Japanese troops, traders and goods.

If guerilla warfare is to be really successful, every able-bodied man in China must be armed. This drastic step has, however, been strongly opposed by various conservative groups in the Government which fear the Communists possibly more than they hate the Japanese.

Although there have been numerous reports of the planned intensification of guerilla activities, no outstanding successes have as yet been apparently scored. It must be admitted that guerilla warfare, which should be synonymous with organized resistance by the entire armed civil population, has neither yet reahced the proportions nor achieved the results it easily could with proper guidance.

It is possible that a large part of the million regulars under arms will be assigned to guerilla warfare. The others, strengthened by the addition of millions of recruits now receiving training in Free China, will continue to batter at the Japanese cordon around the occupied areas.

The degree of their success, however, will depend on the assistance in funds and arms China can secure from Western nations and on the Government's ability to organize passive resistance within the invaded provinces.

While Japanese has succeeded in their military operations, the more important part of the campaign of invasion—pacification and profit-bearing rehabilitation—will defy her efforts for years to come.

Despite the sufferings of tens of millions of her nationals, China is in a better position than her foe. National morale has on the whole withstood the pressure of one of the world's most efficient military machines; the Japanese are making little headway, except in terms of occupied cities; although battered, China's armies are still intact and ready to continue fighting. Japan, thus, has not yet won the war. This is indicated in the fact that while the Japanese are claiming that the war is over, their forthcoming budget contains the largest military appropriations since the beginning of the struggle.

Wu Pei-Fu Balks at Japanese Program in North

A hitch allegedly has occurred in the plan of the Japanese Army to establish a new central government in China amalgamating the existing Peiping and Nanking puppet regimes. Marshal Wu Pei-fu, 60-year old soldier and poet, who was offered the presidency of the projected government, now allegedly has refused to accept the post. Also, it is said that serious disagreements have broken out among various factions in the Japanese Army over the matter. Plans for the organization of the new government have been postponed, for a time it is reported.

The developments have greatly embarassed Gen. K. Doihara, head of the Japanese Army's Special Service Section, who has been working on the creation of a new administration which, he hoped, would replace the present Chinese National Government. Gen. Doihara was said to be furious with Wang Keh-ming, head of Peiping, for the failure of his plans.

Prior to his recent departure for Japan Doihara instructed Wang to perfect arrangements with Marshal Wu to head the planned central regime. Wang called on Marshal Wu in approved ceremonial manner no less than three times, but was received only once. Marshal Wu, according to report in the Shanghai papers, was said to have told Wang that he would have nothing to do with any political administration set up by the Japanese. Marshal Wu's refusal caused Wang to lose face and he was severely reprimanded by Gen. Doihara upon his recent return to Peiping. Wang allegedly was asked to tender his resignation.

Since Wang was reported to harbor personal ambitions in connection with Gen. Doihara's plans, he was suspected of rejoicing over Marshal Wu's refusal and scheming to make himself head of the new central government. In order to realize his ambition, he was charged with soliciting the support of Nanking and other puppet Chinese administrations in Japanese occupied areas.

Since Gen. Doihara's plan was delayed, if not frustrated in the North, the Japanese minitary authorities are said to be shifting their attention to Central China with the object of making Nanking the base of their political activities. They are now planning to form some sort of central government at Nanking on January 1 of next year in place of their failure to induce Marshal Wu to organize a government in Peiping.

May Switch to Nanking

Following his return from Japan in the latter part of last month, Liang Hung-chih, head of Nanking, was instructed to summon a "People's Congress" at Nanking for the purpose of hastening the organization of the new government. The Congress was attended by hand-picked delegates from Japanese occupied areas in Central China provinces and met for three days. At the conclusion of the session, a lengthy manifesto was issued, bitterly attacking Gen. Chiang Kai-shek and urging the immediate establishment of a federal central government of China. But beyond this step, the Japanese program progressed no further.

Two candidates are intriguing for the post of chairman of a new pro-Japanese government in Hupeh province. Soo Hsi-wen, formerly Ta Tao Mayor of Pootung, was reported to have been chosen for the post, but allegedly is confronted with a serious rival in the person of Lin Chi-hung, head of the Shanghai Municipal Administration's Social Affairs Bureau. Soo had always enoyed the support of the Japanese Navy, which was instrumental in the capture of the Wuhan cities, but Lin was said also to have strong backing. It is not yet known which will get the post. Several months ago, Lin was appointed by Nanking as president of the Shanghai First Special District Court, but because of strong opposition of local foreign consular authorities and the Shanghai Municipal Council, he failed to obtain control.

Chi Kuo-cheng, chairman of the Hankow Peace Maintenance Commission, was fired upon by gunmen on Nov. 25, when he assumed his post but the bullets missed their work.

The *Chinese-American Daily News* reported that Chu Wen-tuan, head of the Kiukiang Peace Maintenance Commission, was executed by the Japanese military authorities last month.

Wen Tsung-yao, head of Nanking's Judicial Yuan, returned from a visit to Peiping where he conferred with officials of the Provisional Government on plans for the new central administration.

Concluding his trip to Japan, Wang Tze-hui, Nanking's Minister of Industry, returned to Shanghai on Monday. He declared that the results of the Japan-China-Manchukuo Economic Co-operation Conference at Tokyo, which he attended as Nanking's representative, were "satisfactory." Wang was welcomed by a large group of local officials headed by Mayor Fu Siao-en.

A new Military Academy was opened at Nanking last week with Jen Yuan-tao, Minister of Public Safety, as president. The purpose is to train "pacification" officers for the Reformed Government.

First anniversary of the establishment of the "Autonomous Government of Mongolia" under Japanese control was celebrated at Houho, capital of Suiyuan province. *Domei* reported that Prince Teh, head of the Mongolian regime, issued a message stressing the "vital necessity of co-operation between Japan, Manchukuo and Mongolia."

Demonstrations and parades were staged in Pootung on Monday (Dec. 5) in celebration of the first anniversiary of the establishment of the "Ta Tao Government." The "Ta Tao" regime came into existence on Dec. 5 last year with Soo Hsi-wen as Mayor. On April 28, it was renamed Shanghai Municipal Government. It is now known as Special Municipal Government of Greater Shanghai with Fu Siao-en as Mayor.

Mayor's Property Sealed

The *Wen Hui Pao* reported that a straw dummny of Mayor Fu Siao-en was paraded in the streets of Ningpo on Nov. 28, when a publicity campaign was launched in that city. Complying with a petition by public bodies in Ningpo, the National Government had ordered the local authorities to seal Fu's properties in his native town, Chinhai.

A Special Service Section with Shang Yu-ching (head of the Yellow Way Society) as director was organized by the Pacification Ministry of the "Reformed Government" at Nanking. Duties of agents of the new organ will be to collect information on activities of Chinese guerillas and various patriotic organizations.

Another puppet judicial unit came into existence last week when a Shanghai District Court was organized in Nantao under the direction of Foo Tu, a former Shanghai lawyer. The new court was scheduled to start functioning on January 1.

Asia Board Appoints Hidaka

The Japanese Government's plan in connection with the establishment of the Asia Development Board was further advanced this week, when regulations governing its organization were approved by a plenary session of the Privy Council. The Board was scheduled to commence functioning on Dec. 15. Lt.-Gen. H. Yanagawa, who commanded the Japanese landing force at Hangchow Bay, will head the General Affairs Bureau of the Board, while S. Hidaka, Consul-General in Shanghai and Maj.-Gen. T. Suzuki, will be appointed directors of the Economic Bureau and Political Bureau respectively. Y. Miura, now Consul-General at Tsingtao, will succeed S. Hidaka at Shanghai, while T. Hachiya, Director of Cultural Works Bureau of the Foreign Office, was slated for the Tsingtao post. T. Nakamura, Consul-General at Hongkong, will be recalled and replaced by A. Tajiri, formerly second secretary of Japanese Embassy at Shanghai.

Konoye's Statement About Chiang

Considerable interest was aroused by a *Trans-Ocean* dispatch from Tokyo quoting Premier Prince Konoye as declaring that Sino-Japanese hostilities would come to an end sooner than anticipated, should Gen. Chiang Kai-shek be prepared to take part in a new Chinese Government. Prince Konoye was alleged to have stated that the war would probably not be terminated solely by military operations as had been the case with the Sino-Japanese war in 1894-95 and the Russo-Japanese war in 1904-05. He hinted that a political settlement was possible, if Gen. Chiang would resign his present position and join a new Chinese Government to be established.

Japanese Embassy spokesman at Shanghai denied that Prince Konoye made the statement attributed to him by the German news agency. He asserted that Japan's determination not to deal with the Chiang Kai-shek administration as announced on Jan. 16, remained unchanged.

Addressing the East Asiatic Cultural Conference now in session at Tokyo, Gen. Sadao Araki, Japan's Education Minister, declared that the "rise of the Oriental peoples marks a turning point in world history." The Peiping Provisional Government was represented at the conference by Tang Er-ho, Education Minister.

"Axis" Against China

Political circles in Tokyo professed joy over the attitude of Germany and Italy toward Gen. Chiang Kai-shek as manifested in their lack of sending adequate diplomatic representations to China. The repeated postponement by Hitler of a date for the presentation of credentials by Chen Chieh, the new Chinese Ambassador to Germany, the failure of the Reich to appoint a successor to Dr. Oscar Trautmann, former German Ambassador to China, and the abstention of Marquis F. M. Talliani di Marchio, Italian envoy to China, from proceeding to Chungking to present his credentials were cited as indications of a definite trend in Berlin and Rome, favorable to Japan.

An important military conference was held at an undisclosed place in northern Kwangtung, presided over by Gen. Chiang Kai-shek and attended by all ranking commanders in that province. New military plans for coping with the Japanese invasion of South China were said to have been decided upon. During his recent visit to Kwangtung front, Gen. Chiang gave personal instructions to the high command in the East River sector for a counter-offensive on Canton.

T. Y. Chang, former secretary of Shanghai City Government under Mayor Wu Te-chen, was highly commended for his bravery in resisting the Japanese at Shumchun in Kwangtung, where he is now serving as Commissioner of Police. Mr. Chang was wounded while leading a police force in a skirmish with the Japanese troops.

At Yungcheng in northern Hopei, a large puppet Chinese force of 40,000 strong, styled "Imperial Allied Army," mutinied on Nov. 24 and went over to the Chinese side. The Japanese commander was taken prisoner. Another puppet unit in northern Honan under commander Liu Yen-feng allegedly surrendered to the Chinese forces.

Feng in Szechuen

Gen. Feng Yu-hsiang, Vice-Chairman of Military Affairs Commission, who had been on an inspection trip in Kwangsi and Kweichow recently arrived at Chungking. Gen. Feng would inspect the progress of military training of civilian youths in Szechuan.

Ningpo General Executed

Maj.-Gen. Wang Kao-nan, Defence Commissioner of Ningpo and concurrently Martial Law Commander for the Ningpo-Shaohsing Area, paid supreme penalty for his violation of the military order forbidding officers to marry during the period of the campaign of resistance. Forty-nine years of age, Gen. Wang, a widower, was recently re-married at Ningpo. As his bride was at Shanghai, Gen. Wang specially chartered a steamer to convey her to Ningpo and ordered the boom at Chenhai to be temporarily removed to allow passage of the ship. The wedding was celebrated at Ningpo on a grand scale.

Impeached for violation of military orders, Gen. Wang was removed from office and taken to Kinhua, provisional capital of Chekiang, for trial. He was court-maritalled for dereliction of official duty and sentenced of death, which was carried out last Saturday.

Gen. Chang Kwei-lin, a subordinate of the late Gen. Wang, was promoted Defence Commissioner of Ningpo. Gen. Wang's real crime was alleged to be corruption in connection with the admission of Shanghai ships to Ningpo harbor.

"Scorched Earth" at Changsha

Japanese reports alleged that 24 public bodies in Changsha, Hunan capital, had issued a circular telegram, condemning the National Government for its "Scorched Earth" policy. Huge fires of incendiary origin broke out in Changsha on Nov. 12 and practically destroyed the city after a 5-day conflagration. Three high responsible military officers were executed by order of Gen. Chiang Kai-shek and the Hunan Chairman, Gen. Chang Chih-chung, was dismissed from office for the disaster. The Government has since taken every possible measure for relief of the victims and restoration of order in the city.

Allegations that the fires were started by Kuomintang emissaries in order to trap and kill several Communist leaders, including Chow En-lai, who allegedly were in Changsha, were later denied as without foundation. Chow was in Changsha but escaped. Plans layed by the Government to destroy the city just prior to the arrival of the Japanese, were put into effect prematuraly due to hysteria on the part of local officials who had been told that the Japanese were approaching the city. Later it was alleged that a garbled telegram received in Changsha about the advance of the Japanese troops had caused the fires to be started prematurely.

Reorganization at Chungking?

To further strengthen the political unity of the country, an important movement was on foot at Chungking for the organization of a "National Defence Government." The new government, if successfully established, would include leaders from all political parties in China, such as the Kuomintang, the Chinese Communist Party, the National Socialist Party and the China Youth Party. Sun Fo, President of the Legislative Yuan, Mao Tse-tung, Chairman of the Communist Party, Wang Ching-wei, Deputy General Executive of the Kuomintang, would be given important posts in the proposed government.

The 5th Plenary Session of the Central Executive Committee of the Kuomintang, which was scheduled to open on Dec. 15, has now been postponed to Jan. 15, according to an official announcement made at Chungking.

The Provisional Headquarters of the Military Affairs Commission at Chungking issued an order, prohibiting government officials, civil or military, to seek refugee in Shanghai or Hongkong. Any official found guilty of violating this order would be severely punished. The order, however, would not apply to officials who have special duties to perform in these two cities.

Dr. C. T. Wang, retired Chinese Ambassador to Washington, arrived at Hongkong last week from the United States aboard the China Clipper via Manila. After a brief stay at Hongkong, Dr. Wang was expected to proceed to Chungking to report to the Central Authorities. Dr. Wang's successor at Washington is Dr. Hu Shih, noted Chinese philosopher and scholar.

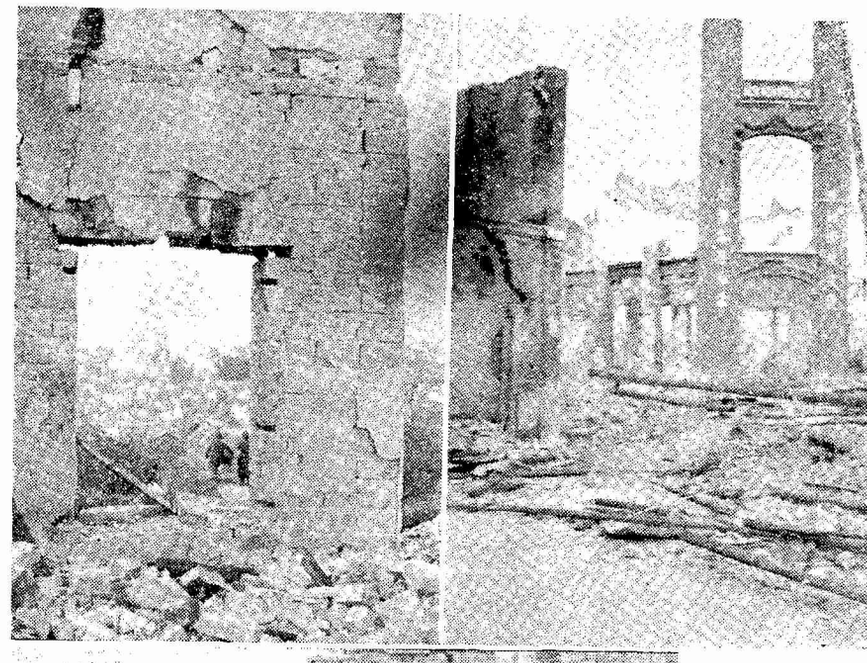
Hitler Opposed Chen's Speech

Political circles in Chungking expressed great dissatisfaction over the repeated postponement of the date of presentation of the credentials by Chen Chieh, new Chinese Ambassador, to the German Government. It was suggested that Mr. Chen be immediately recalled and the Chinese Embassy at Berlin be represented only by a charge d'affaires. A *Havas* message from Berlin stated that the cause of the delay in the reception by Chancellor Hitler of Mr. Chen was the inclusion of certain objectionable passages in the envoy's presentation speech. These parts were considered injurious to Japan, but as they had now been deleted, it was expected that Mr. Chen's credentials would be presented on Dec. 15.

Sino-German relations lately were considerably strained by Germany's recognition of Manchukuo and the "strengthening" of the Anti-Comintern Pact by the new German-Japanese cultural agreement.

To enhance efficiency of China's diplomatic service abroad, a Committee for the Selection of Diplomatic Officials was organised under the joint auspices of the Ministry of Foreign Affairs and Ministry of Personnel Ranking under the Examination Yuan. T. K. Tseng, Vice-Minister of Foreign Affairs, was appointed Chairman of the Committee.

Contrary to previous reports, the Kwangtung Provincial Government headed by Gen. Wu Te-chen will not be reorganised, but a re-organization of the Hunan provincial government may soon take place in order to appease public feeling which had been outraged by the disastrous fire in Changsha last month.



Scorched earth at Changsha — where hysterical officials burned the city prematurely in the belief the Japanese were at the city gates.

Upper Left—**Stlil burning after five days.**

Upper Right—**Remains of some of the more important buildings.**

Bottom—**About all that remains of a once-prosperous city of 500,000 people. However, the destruction of city *has* greatly delayed the Japanese advance into Hunan.**

Pictures by John Earl Baker.

Japan-China-Manchuria Yen Bloc in Japan's Expansion Program

BY WARREN S. HUNSBERGER *in Far Eastern Survey*

"WAR NOTES," without specie backing and not convertible into foreign exchange, are shortly to be issued* by the Japanese in Central China, according to a late press announcement. This is only the most recent of a long series of monetary measures taken by the Japanese as their armies have penetrated deeper and deeper into Chinese territory.

The Japanese are now accustomed to speak of the "Yen Bloc" in referring to areas under Japanese domination much as the Italians now speak of the Italian Empire. But the yen bloc is something quite different from the sterling bloc, or the gold bloc of a few years ago. The two latter refer to monetary unions among independent nations which agree, usually only tacitly, to keep their currencies stable with respect to gold or the pound sterling or something else. Most members of these blocs have the power of remaining outside if they so choose. In the case of the yen bloc Japan and the yen have an overpowering dominance, and arrangements have been made with an eye to the needs of Japan and the yen, rather than in consideration of the other areas or their currencies. The decision as to what areas are included is made by the Japanese.

The yen bloc currently means the Japanese Empire, Manchukuo and North China. Some enthusiasts even include Central China but as yet without much basis. In North China the new Federal Reserve Bank's yuan notes are not succeeding as the Japanese would like. Thus the yen bloc is most important as it applies to the currency relationships between Japan and Manchukuo. Between these two areas payments have been facilitated by the bloc arrangement which is only part of a much larger program for the economic control and development of the two areas. While exchange control has restricted payments to the outside world from either Japan or Manchukuo, it is now very easy to make payments between Japan and Manchukuo. At the same time such policies as Manchukuo's Five-Year Plan are increasing the production in Manchukuo of articles, especially raw materials, which Japan must import. This channelizing of trade by diverting each country's products to the other as far as possible means that Japan is somewhat less dependent for necessary imports on countries not subject to Japanese control. Also the diversion of Manchurian trade to Japan means diverting it from some other nation, often a Western nation. Thus the open door in Manchukuo is being effectively closed as the realtive ease of buying from Japanese firms grows.

Aids in Selling

It is not the yen bloc arrangements which are bringing about these results. But it is the yen bloc arrangements which are making these other policies worthwhile to the Japanese. To be sure it would aid the Japanese to sell more goods in Manchukuo, with or without any political advantages, with or without any yen bloc arrangement. What the currency arrangement does is to allow trade with Manchukuo to be excluded from the increasingly stringent exchange controls which a weak yen has made necessary. By means of the currency arrangement Japan is able to make tremendous purchases in Manchukuo, and carry on other activities such as investment, which the weakness of the yen would make impossible otherwise. To the extent that Japan now buys in Manchukuo instead of in another foreign market there is a saving of foreign exchange or gold. At the same time it is possible to maintain more normal trade connections, and to build up new ones, in Manchukuo, while some other areas have found their trade with Japan seriously affected by the war. Some of these advantages to Japan are now being obtained in North China, and even in Central China, but in neither of these areas has there yet developed so large a number of policies working toward the same end.

"War Notes" are now in circulation.

Now, How About China?

Elderntan in Washington Post

Before the Manchurian incident in 1931 there were already several forms of Japanese currency in Manchuria. There were Bank of Chosen yen notes, Bank of Japan notes, a few old Yokohama Specie Bank silver notes, and finally coins, both silver yen and subsidiary coins. The Bank of Chosen notes were the most numerous, since these were the standard currency of the Kwantung Leased Territory and of the South Manchuria Railway Zone as well as of Chosen. The hostilities following the Mukden incident in September 1931 served to expand yen circulation in Manchuria, principally in the form of Bank of Chosen notes. In 1933 the South Manchurian Railway's Economic Research Association estimated Bank of Chosen Notes to be 36% of the total currency circulating in Manchuria. This issue continued to increase through 1935.

Since that time, however yuan, notes of the Central Bank of Manchou have taken the place of a large portion of the Bank of Chosen note circulation in Manchuria. The Central Bank of Manchou was founded in June 1932 by the amalgamation of the four government banks of the Chang regime. The new Bank's note issue was a silver-backed yuan, which gradually displaced the non-Japanese circulation. For about three years the Manchukuo yuan developed as an independent currency supported by the specie reserve of the Central Bank of Manchou.

Meanwhile the Japanese yen, which had been cut loose from gold in December 1931, had depreciated to about a third of its former gold value. To prevent further depreciation from the flight of capital the Japanese authorities had enforced the Capital Flight Prevention Law in July 1932 and the more effective Foreign Exchange Control Law in May 1933. Japan's trade was booming both with the world at large and with the new state of Manchukuo, where Japanese goods were being bought with the proceeds of Japanese investments. The world price of silver was rising rapidly, largely as a result of huge purchases at high prices by the United States Treasury under the Silver Purchase Act of 1934. This increase affected the silver currencies of both China and Manchukuo, raising the value of these currencies and tending to draw silver abroad and to force down prices n these countries.

Yuan Severed

In China this tendency was sufficient to lower prices and seriously to depress business, as large quantities of silver left the country. In Manchukuo the authorities were both better able and quicker to step in and prevent a serious outflow of specie and a serious decline in prices. The most important policy undertaken was the control of the exchange value of the yuan. Redemption in silver was stopped in October 1934, and the yuan managed so that it fluctuated only half as much as the price of silver. In March 1935 the management became complete, and the exchange value of the yuan lost all connection with the price of silver. In October 1934 the yuan had reached its highest exchange value, 118.38 yen. After that the rate had declined rather steadily, continuing until August 1935, when the yen and the yuan were at par. They have been equal in value ever since.

This beginning of the yen bloc was formalized on November 4, 1935 by the announcement that the yuan would be managed so as to keep it continuously at par with the yen. This management was to be by cooperation between the Central Bank of Manchu and the Bank of Chosen; and Japanese notes circulating in Manchukuo were to be retired in favor of the yuan. These notes were estimated to consist of between 30 million and 40 million yen in Bank of Chosen notes and some three million yen in old Yokohama Specie Bank silver notes. On the same day China also formally adopted a new monetary system. She had abandoned silver to avoid the hardships which its high price had brought. The new Chinese currency was to be managed on the strength of reserves of gold and silver, which had been nationalized and taken out of circulation.

The present situation can be summarized as follows: The yen-yuan exchange is now controlled in such a way as to maintain the two currencies equal to each other. General exchange control in Japan, which does not apply to Manchukuo, severely limits Japanese purchases of foreign goods, services and securities. Manchukuoan exchange control is very similar to Japanese in scope and method and does not apply to Japan. These currency policies are part of a broader program aiming at economic development of Manchukuo to the point where this area and Japan are closely complementary and dependent on each other economically. This program for a Japan-Manchukuo economic bloc includes the ambitious five-year plan for Manchukuo.

As part of the broad program for the economic exploitation of Manchukuo and for the tying of Manchukuo's economy to Japan's, the currency bloc arrangement is both very important and very useful. Exchange stability adds a simplicity and ease of transacting business as well as eliminating the often serious losses which are sometimes incurred through exchange fluctuations; it also increases general business confidence in Japan and Manchukuo. All of these advantages could be gained simply by the continued stability of the yen and the yuan with respect to one another. The authorities concerned have gone farther and made it known that they intend to keep the

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exchange rate stable. As they are unlikely to fail in this announced purpose, the danger of exchange losses is today very small. Further advantages to Japanese and Manchurian business men arise out of the fact that the rate chosen for exchange stability is parity between the yen and the yuan. Parity makes calculations easier and errors fewer and thus further simplifies business transactions and business planning and reporting.

Yen Weak

The advantages to Japan of both the currency bloc and the general economic bloc arrangements with Manchukuo are increased by the fact that the yen is a weak currency. The yen is weak because in-payments on account of the sale abroad of Japanese goods, services and (long-term) securities* tend to fall short of outpayments on account of Japanese purchases of foreign goods, services and securities. Insofar as it is impossible to bring these paying and receiving accounts into balance, the Japanese must use one or both of two last resorts to maintain the yen. They must ship gold or negotiate short-term credits.

Since the outbreak of the present Chinese war Japan has had increased need of these two reserves to maintain the yen. Short-term credits, far from being any assistance, have actually been cartuiled both in Britain and in the United States, and now Japan's total outstanding short-term obligations amount to considerably less than their usual aggregate before the war. Thus the burden of maintaining the yen has fallen on Japan's gold reserves, and exports have been so great that in spite of greatly expanded gold production and of considerable reclamation and diversion of gold from the arts, Japan's gold reserve now amounts to only about 60% of its *weight* at the beginning of 1937. This fact is somewhat obscured by the revaluation of the gold reserves of the Bank of Japan in August 1937.

In this difficult situation the Japanese have adopted new policies and extended the application of old ones. Imports have been severely restricted. Great efforts have been made to increase exports in every way possible, although these efforts have at times been completely milified by other policies and by the exigencies of the economic situation. Substitution of articles produced from domestic raw materials for those made from imported raw materials has gone a long way. Now a number of raw material imports are linked to exports of finished goods in an effort to remove the hindrance to export industries which had resulted from import restrictions and the consequent rise in certain prices. These policies fit in logically with an increasingly stringent control over almost all foreign exchange transactions and the extension of bloc economics both in Manchuria and in parts of China.

Exchange control has become even more severe in Japan but it has not been applied to Japanese purchases of goods, services or securities from Manchukuo. In order to prevent Japanese imports from third countries from avoiding restrictions simply by being routed through Manchuria it has thus been necessary for Manchukuo to have similar exchange control. This control does not apply to Japan. The rseult is that it is a great deal easier for Japanese firms to import from Manchukuo those articles which are obtainable there than to import them from other countries, entirely apart from the fact that specific regulations tend to divert purchases to sources within the yen bloc. Thus exchange regulation has caused buyers within the yen bloc to shift as many of their purchases as possible to within the bloc. This result has been furthered by those policies which have promoted production in Japan or in Manchukuo of articles normally imported from abroad, such as cotton. The currency bloc arrangement has facilitated purchases of such commodities, as well as of tremendous quantities of other Manchukuoan goods, services, and, above all, securities. The following discussion of how the currency bloc operates is, then, a description of only one part of a large program which includes also exchange control and the development of Manchukuo as a supplier of raw materials of Japan.

Jack Chen, in China Today.

A Chinese Impression of Japan's Rising Sun

Bloc Administration

Normally anyone in Japan wishing to make a payment in Manchukuo will have his currency exchanged either directly or indirectly by one of three banks, the Central Bank of Manchu, the Bank of Chosen, or the Yokohama Specie Bank. These banks handle practically all the exchange transactions between Japan and Manchukuo. Consequently the control of this exchange is fairly simple, for these banks have much more reason to work together smoothly than would the exchange banks of such independent countries as the United States and England. The Yokohama Specie Bank and the Bank of Chosen, both "special" banks, are under the special control of the Japanese Government, which is also part owner of each. The Central Bank of Manchou stands in the same relation to the Manchukuo Government, which is itself supervised by the Japanese. This situation means that the yen-yuan exchange administrators are in effect one group instead of two as would be the case with most foreign exchanges, whether within a currency bloc or not.

Thus in times when there is no strain on the yen-yuan exchange, the handling of payments is an administrative problem to be handled by these banks in much the same manner as the Federal Reserve Banks transfer funds from New England to the West Coast and back again. The Central Bank of Manchu and the Bank of Chosen have a formal agreement as to procedure, including such items as a provision that all payments to or from the Manchukuo Government shall go through the Central Bank of Manchou. Thus when any of the three banks is presented with yen funds and requested to pay out yuan either at the same or some other office, the bank is ready to transfer the funds simply by bookkeeping entries and an order to the paying office.

Mechanics Simple

To say that there is no strain on the yen-yuan exchange is to say that payments in one direction are equal to payments in the opposite direction. Under this assumption the total number of yuan presented throughout Manchukuo for exchange into yen will equal the total number of yuan demanded by receivers of payments from Japan. It is, to be sure, quite possible that the offices of one exchange bank or the banking offices in a particular locality may receive more yuan for exchange into yen than they pay out as the result of yen exchange operations, or vice versa. But when there is no strain on the yen-yuan exchange, and payments in one direction equal those in the opposite direction, then the offices of some other bank, or the banking offices in some other area, will have to pay out more yuan than they take in on account of yen exchange transactions. This situation calls for the transfer by loan or sale, of yuan funds from the bank or branch with an excess to the bank or branch with a shortage.

Suppose, however, that, instead of equal payments in both directions, there should be an excess payment from Japan to Manchukuo. More yen would be presented than would be demanded. More yuan would be demanded than would be presented. The exchange banks would find their yuan balances shrinking. This supposed situation would result from purchases by Japanese of Manchukuoan goods, services and securities in excess of purchases by persons and organizations in Manchukuo of Japanese goods, services and securities. This seems to have been the actual condition for several years. This excess of yen and shortage of yuan is no immediate problem to the exchange banks or to the authorities in charge of keeping the yen and the yuan equal. All that need be done is to have the excess yen deposited in the Central Bank of Manchou which will issue yuan notes in their place. There is no legal limit to the issue of yuan, since according to Manchukuo's Currency Law of 1933, "reliable foreign currencies" are as good basis for note issue as gold or silver, and the 30%, reserve required against notes may be made up of all three.

Simple thought it may be to issue yuan against yen balances, the operation has very important effects. Most obviously there is an increase in Manchukuoan currency in circulation. Unless this increase in circulating medium is accompanied by a similar increase in business turnover, the result is inflationary. The really important effect of this new yuan issue, however, is the effect on Japan's international accounts. An excess of payments abroad has not had to be met in gold. It may appear that no formal credits have been extended by anyone in Manchukuo to anyone in Japan. This it may seen that, the bloc arrangement has made it possible to avoid the two lasts resorts, gold (or foreign exchange) and short-term credits, mentioned above as coming into play when there is an unbalance in a country's international payments on account of goods, services and securities.

As a matter of fact, however, the Japan-Manchukuo case described above includes a credit by Manchukuo to Japan to the extent of the net amount of yen notes or deposits accepted. These notes or deposits are obligations of the Bank of Japan, or of the Bank of Chosen. Thus the bloc arrangement is simply a device by which pay-

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* "*Securities*" *is here, and throughout this article, used as a broad term to cover all international capital movements except short-term balancing movements. Of course mamy capital movements are not represented by actual securities, but thinking in these terms serves to reduce the danger of confusing the direction of payments.*

ments between the two countries are kept in balance by the almost automatic extension of credit by the acceptance, on the part of Manchukuoan banking agencies, of yen balances to cover any shortage left by other items in the bilateral balance of payments. Japan has both saved gold (or foreign exchange) and avoided embarrassment while buying more from Manchukuo (in the form not only of goods, but also services, and, most of all, securities) than she sells there. Japan has become a short-term borrower, but because of her control over Manchukuo and over the exchange banks, she has avoided the danger of having payment of these obligations demanded at an embarrassing moment. This case thus differs from usual international short-term borrowing.

Working Smoothly

If the pressure of payments from Japan to Manchukuo were to continue for many years, the question of currency and credit inflation in Manchukuo would be very serious, unless the continued increase in yuna were counteracted by a similar increase in business turnover. There has been a great increase in business activity in Manchukuo, and price rises there during the last three years can be accounted for without assuming that the cause is the expanded issue of yuna notes. The question of potential inflation is important, however, since the machinery is all prepared for as much yuan note issue as the needs of the Five-Year Plan or the purses of Japanese investors might call for. On the other hand, as long as the increased issue of yuan were based on yen deposits, instead of actual holdings of yen notes, there would be no shortage of yen in Japan and no necessary immediate repercussions there.

With the yen bloc working smoothly today, what is the condition of the balance of payments of Japan and of Manchukuo and of the whole bloc as a unit? It has been mentioned above that Japan has since early in 1937 been obliged to export very large quantities of gold to make up for excess payments on account of goods, services and capital. The bloc as a unit is thus maintaining itself internationally by drawing on its reserves. But between Japan and Manchukuo no such drawing-down of reserves is necessray. The bloc arrangement has cancelled whatever net payment was due to Manchukuo from Japan by arranging short-term loans from Manchukuo to Japan in the form of yen accepted in Manchukuo bank offices. Thus Japanese exports of gold might have had to be even larger but for the currency bloc arrangement with Manchukuo.

Outpayments

This consideration leads to a very important conclusion as to the value of the yen bloc to Japan. Since the bloc can be so managed as to allow Japan to make payments in yen, avoiding the shipment of gold or of the foreign exchange so much needed eleswhere, it is to Japan's advantage to include within the yen bloc areas to which net payments are recurrently due on account of goods, services and capital. The bloc arrangement sets up machinery for granting to Japan offsetting short-term credits, and so makes possible expenditures by Japan which could otherwise have been made only by relinquishing precious gold or foreign exchange. It is the receipt of these credits rather than the fact of having a currency union which makes the bloc arrangement valuable to Japan. If she could get these or similar credits without the bloc, there would be very little point in having the currency bloc. But if or where the bloc arrangement facilitates these cerdits, it is to Japan's present advantage to extend the bloc to these areas. Or the same advantage can be obtained by persuading the area receiving net payments from Japan to receive these payments in yen rather than a foreign currency. This method of balancing Japan's payments with a creditor area has the same immediate effect as the more formal extension of credits to Japan under the bloc arrangement, but is less secure. After notes are exported they may develop a tendency to come home and be presented for payment. This lack of control over demands for repayment is a factor in favour of establishing a more formal bloc arrangement with the area concerned.

The short-term credits which Japan receives, either as simple extensions, or as part of a bloc arrangement, or in the form

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of currency exports, are obligations which must soon be paid off, unless they can be controlled, as in the case of Manchukuoan credits, or can be converted into long-term loans, like having the exported notes continue to circulate outside Japan. Except for permanent increases in yen circulation abroad, however, Japan must some day meet the obligation represented by these credits. But someday is not today and the needs of today are too great to allow Japanese statesmen to give much attention to repayment. They have a war on their hands, the most serious in Japan's modern history, and they must keep all their attionten on winning. If somehow the war can be won, then, perhaps, the Japanese can begin to give some consideration to ways of putting their house financially in order.

Extending the bloc is, then, a valuable short-run policy because it saves gold and foreign exchange. But no saving of gold orforeign exchange will result from an extension of the bloc to areas other than those to which Japan makes net payments, either now or in the future. Areas which make net payments to Japan must pay in foreign exchange (or gold) or receive credits. The bloc arrangement would facilitate credits and thus reduce Japan's receipts of foreign exchange in the short-run. If, however, the extension of the currency bloc to such an area brought advantages, such as political assistance or better relations, the importance of the reduction in foreign exchange income might well be outweighed.

Within the bloc Japan can foster the production of articles normally imported and so further save foreign exchange (or gold). This policy is being followed in Manchukuo, where the production of such goods as iron and cotton is being pushed as fast as possible. Purchase from within the bloc simply saves making foreign payments. It is important that nothing has been said here of Japanese exports to the yen bloc. The bloc arrangement, rather than making exports either much easier or more desirable, actually makes it more valuable, in the short-run, to shift sales from bloc areas to non-bloc areas, since sales to non-bloc areas bring in foreign exchange, as sales to bloc areas do not. Thus the currency bloc arrangement is a great aid to Japanese imports, but not to Japanese exports. Whatever advantages Japanese exporters have found in the bloc areas have come from such factors as exchange control and political relations, not from the bloc arrangement.

Solution Short-term

Looking beyond the immediate present, we find that these short-run policies are not enough. Each region, whether a separate nation or simply a part of a nation, must in the long run maintain an equilibrium in its payments with the rest of the world. The extension of the yen bloc to include Manchukuo or North China or other areas does not eliminate this necessity of balancing payments for every area. Japan must still meet its obligations if it is to continue to operate. This necessity may be met not only by making the payments which the bloc arrangement is able to delay, but also by changing the economies of the areas involved. Thus a developed Manchukuo might some day buy enough from Japan and pay enough return on Japanese investments to counteract Japanese purchases of goods, services and securities in Manchukuo. Then the balance of payments between these two areas would maintain equilibrium without forcing.

Seeking the advantages of a bloc arrangement with other creditor areas, the Japanese have been making efforts since the Chinese war started both to circulate yen in the occupied areas and to make a more formal and permanent currency bloc arrangement. The result so far is that North China is now a kind of limping partner in the bloc, and Central China is receiving preliminary treatment in the form of an increasing circulation of Japanese notes. More than once in the past the Japanese have made attempts to circulate yen in North China and in Shanghai. Present efforts are meeting with more success than earlier ones because of the presence of the Japanese Army which not only supplies the needed force where merchants show reluctance to accept the proffered notes, but also makes tremendous expenditures in whatever currency it chooses.

The exact details of the present situation in China are not at all clear from the vague and conflicting reports emanating from there. The adventages to Japan, however, are clear. As in the case of Manchukuo there is now a net payment from Japan on account of goods, services and long-term capital. The export of yen or the granting of yen deposits, with or without benefit of a bloc arrangement, constitutes a balancing short-term capital movement which saves foreign exchange (or gold). The items in Japan's net outpayment to North and Central China are, however, different from those figuring in the net outpayment to Manchukuo. In the case of Manchukuo, Japan receives payments on account of net exports of goods, and on account of services, but these are more than counterbalanced by huge exports of long-term capital. In the case of North and Central China, on the other hand, Japan's net exports are small, and long, term capital movements are also much less important, while tremendous Army expenses make the service account the deciding element and Japan is now meeting the next outpayment by securing short-term credits.

In North China the stage of yen payments is passing. A new currency has been issued, at par with the yen, and now every effort is being made to generalize the use of the new currency throughout North China. This currency is the yuan issue of the

Federal Reserve Bank of China, chartered by the Provisional Government in Peiping, and opened on the 10th of last March. The bank is organized as a central bank with various commercial banking powers, but its major concern is the new currency.

New Yuan Launched

This new institution is capitalized at 50 million yuan, one half paid up. Half the capital stock is owned by the Provisional Government, the other half by a group of eight Chinese banks, principally the Bank of China and the Bank of Communications. The Provisional Government's share of the capital is coming from a ten-year loan in gold and silver funds from the Bank of Chosen, the Yokohama Specie Bank, and the Industrial Bank of Japan. Specie reserve was obtained from the Chinese stockholding banks, which contributed their capital in silver. Further working funds were obtained in the form of a 100 million yen loan from a Japanese banking syndicate. An additional store of specie worth about 500 million yuan, owned by the Chinese Government and by private banks, is stored in the foreign settlements in Peiping and Tientsin. The Provisional Government authorities have been unable to get this silver for use as reserve for the Federal Reserve Bank, but are preventing the silver's removal and minting.

On this basis the Federal Reserve Bank began business and proceeded to issue its new yuan notes. This start was very different from the running start of the Central Bank of Manchou, which simply took over the business of its parent banks. In North China the Federal Reserve Bank has some assistance from the Chinese banks which hold half its stock. On the other hand the foreign banks which handle the foreign exchange business of North China are not cooperating, and will not accept the new currency, except for deposit in separate accounts, segregated from their main business.

The old currencies were allowed to circulate for three months. Since June 10, however, only three kinds of notes have been considered legal tender, and all others have been banned. The legal tender notes are the Federal Reserve notes and the notes of the North China branches of the Bank of China and of the Bank of Communications. These last two kinds of notes are to be banned after March 10, 1939, but already are subject to a 10% discount at the Federal Reserve Bank. These notes seem to have been the bulk of the circulation before the new currency appeared.

Un-cooperative

With no cooperation from the foreign banks, and with the two highest stockholder banks having their own notes circulating for the present, the new issue is encountering difficulty. One important user is the Japanese Army, which is making payments in both the new yuan and in the Bank of Chosen notes. The Chinese accept the new notes in the areas patrolled by Japanese troops, but in the interior where Japanese military control is not effective, possession of Federal Reserve notes is reported by the *North-China Herald* to be cause for murder. The new circulation had apparently reached between 60 million and 70 million yuan by last June, and 80 million by the end of July. These figures compare with an estimate that last February total Chinese notes in circulation in North China amounted to between 250 million and 300 million yuan. The Federal Reserve Bank had also issued some 40 million yuan in subsidiary notes to replace old subsidiary circulation. So far the Federal Reserve notes are not normally exchangeable for foreign currencies (except the yen) and the Federal Reserve Bank has done almost no foreign exchange business.

Thus the present currency situation in North China is less coordinated, if anything, than formerly. The Federal Reserve Bank will accept yen for their yuan at par, and old Chinese yuan for their yuan at a 10% discount. On the open market, however, Chinese notes have commanded a premium over Federal Reserve Bank notes. But at the same time Japanese yen have commanded a premium over the Chinese yuan on the open market in Shanghai. This is not an unusual circumstance in Chinese finance, but, since the Chinese currency has depreciated by some 45% against the United States dollar since last March, there has been at times a large difference between the yen and the Chinese yuan on the Shanghai market. This difference combined with the reserve situation on the open market in Peiping made arbitrage very profitable. A flood of Chinese notes went to Peiping and were exchanged for the discounted Federal Reserve Bank notes in the open market. These notes were then exchanged for the yen, an exchange which the Federal Reserve Bank would make at par. The yen were then carried down to Shanghai where their quantity became sufficient to depress their value considerably. Thus on June 13, when the official rate of exchange between the yen and the Chinese yuan was 100 yuan for 59.5 yen, in general 85 yen were actually offered for 100 yuan, and even 90 yen were sometimes paid.

This arbitrage was, of course, no part of the plan of the Federal Reserve Bank, but it is a reflection of the bank's lack of success in either unifying or controlling the currencies circulating in North China. The great quantity of yen in Shanghai, made up of both Bank of Chosen notes and Bank of Japan notes, have now been "orphaned," since they are not redeemable, and the Japanese Government has forbidden their repatriation. To keep the quantity from growing and their value from declining further, the Japanese Government has forbidden passengers on ships going to Shanghai to carry yen with them. More important steps have been taken to support the value of these "orphan" yen. The new Central China Development Company will be restricted in its use of (that is, importation from Japan and spending of) yen notes. Some yen are being surrendered for Provisional Government bonds in a campaign for saving. The anticipated issue of "war notes" as pure flat money will add to the confusion. These new notes will very probably be successfully kept out of Japan. Apparently a number of the Bank of Japan notes in China found their way back to Japan, although others were recognized as having been smuggled back into Japan and were not accepted.

This monetary wilderness is a far cry from the smooth operation of the bloc arrangement between Japan and Manchukuo. Today North China has no unified currency the linking of which to the yen would mean very much. In Central China there have been large payments in yen, but even these yen are not linked to the official yen. They must shift for themselves without benefit of any of the controls which support the official yen.

Some Advantages

Still there has been advantage to the Japanese in these developments. They have made payments—their statements say of about 60 million yen up to last June—directly in yen with no difficulty of exchange. These expenditures saved just so much foreign exchange. Insofar as Japanese payments continue to be made in yen, or in Federal Reserve Bank notes, which can be obtained for yen at par, the major objective of the bloc arrangement is attained. Insofar as yen must be exchanged for other currency in making payments, there is something more to be desired from the Japanese point of view.

Of course one way of making payments is in goods. If the Japanese could sell in North China enough to absorb the payments being made there by the Japanese the account would be balanced without the use of foreign exchange (or gold). But yen notes are much cheaper to manufacture than goods, even goods made in Japan! So it is better to sell the goods where they will bring in needed foreign exchange rather than in the yen bloc where they would bring in only yen, or their equivalent. For this reason it was announced in June that certain exports to North China would be restricted. These articles are ones in which imported raw materials are important, and so their manufacture is carried on only at a cost to Japan in foreign exchange. With restriction North China is being made to bear some of the burden the Japanese are bearing in going without imported articles or articles made of imported materials. Of course North China will bear no serious burden as long as goods can be bought directly from other countries than Japan, but this difficulty is being handled by the introduction of exchange control. Here is another force pushing the open door closed, but the force is exchange control not the currency arrangement which the Japanese are hoping to make succeed.

Restrictions

Just how any serious exchange or import control can succeed under present conditions is difficult to see. Foreign concessions still exist in North China, and foreign (neither Japanese nor Chinese) banks in these concessions are carrying on practically all exchange transactions (except those with Japan). (See "The War and Western Interests in North China," *Far Eastern Survey*, Oct. 12, 1938). As long as the foreign concessions last, it will be possible to evade some of the import restrictions. As long as the foreign banks can get foreign exchange, exchange restrictions can be either weakened or nullified.

The Chinese situation is thus a cause for sadness among Japanese monetary officials as well as others. The yen issued in Central China, like those issued in North China conserve Japanese foreign exchange resources. But these yen have had to be abandoned for fear their presentation would embarrass Japanese exchange control as well as nullify the advantage of spending abroad with national currency. It seems clear also that inflation is going ahead rapidly. As the Japanese Army has continued to pay out yen and Federal Reserve yuan in North China, other currencies, principally the issue of the Bank of China and the Bank of Communications, have increased rather than decreased in total circulation. It seems very unlikely that business turnover could be increasing at anywhere near this rate.

Summarizing, we may say that the currency arrangements under the yen bloc have met with success in Manchukuo, but with much less than success thus far in North or Central China. In all three areas, however, the Japanese have by means of this currency policy found payments facilitated. That is to say that the bloc arrangements make it easier for Japan to buy within the bloc, or to invest capital, as in Manchukuo, or to make tremendous government payments, as in China. This fact makes it worthwhile to foster the production of needed materials within the bloc because of the greater ease of making purchases from within the bloc. These policies are not enough to make the bloc succeed in the long run, for they depend on short-term credits. In the long run adjustments and rearrangements must be made so that each area, large or small, within the bloc makes and receives equal payments with all other areas. Such adjustments may come in the form of increased return on Japanese investments in

(*Continued on page 55*)

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Improvement in Chinese Currency Is Expected; 'Black Market' Blamed

OPTIMISM was expressed by Mr. Chang Yi-fang, Chinese economist, regarding the future of China's currency, in a lengthy article which recently appeared in the *Shun Pao*. Admitting that Chinese currency is now in crisis as a result of the presence of the "black market," speculations on the part of unscruplous profiteers and the nefarious attempts of the enemy to undermine the national monetary system that followed in the wake of the present hostilities, Mr. Chang, however, believes that China would finally overcome all the difficulties now confronting her.

Many people both at home and abroad, the writer said, are interested in the future of Chinese currency and finance as a result of the current war. It is feared by some nervous people that the Chinese dollar may follow gradually and yet inevitably the path of the Mark after the Great War, as the hostilities drag on. Exchange brokers believe that the legal tender notes have already registered a drop of 60 per cent. of their original value, although the official rate are still being maintained at 1s 2¼d. Scepticisms were also voiced as to the official rate maintained by the Central Bank of China, in view of the fact that foreign exchange allotments are not announced. But such apprehensions are unwarranted, as the national currency has been so firmly established that no outside force can shake it, according to Mr. Chang.

As regards the question of currency inflation, the writer asserted that there are such symptoms in China and in fact, in the whole Far East. But this has nothing to do with the Chinese currency. The signs of currency inflation is only prevalent in Japan and her occupied areas in Manchuria, North China and Central China. On the contrary, there is an acute shrinkage in currency in areas still in Chinese hands, as there has been a great demand for legal tender notes.

The writer attributed the present great demand for legal tender notes to the prevalence of speculations in Shanghai. The speculators fear that the legal tender notes would eventually lose their value because of currency inflation. Hence the current rush for legal tender notes, as indicated by the decrease in the discount rate for Wei-Wah or transfer money. Therefore this is not due to the currency inflation; but due to the shortage of legal tender notes to meet the growing demands.

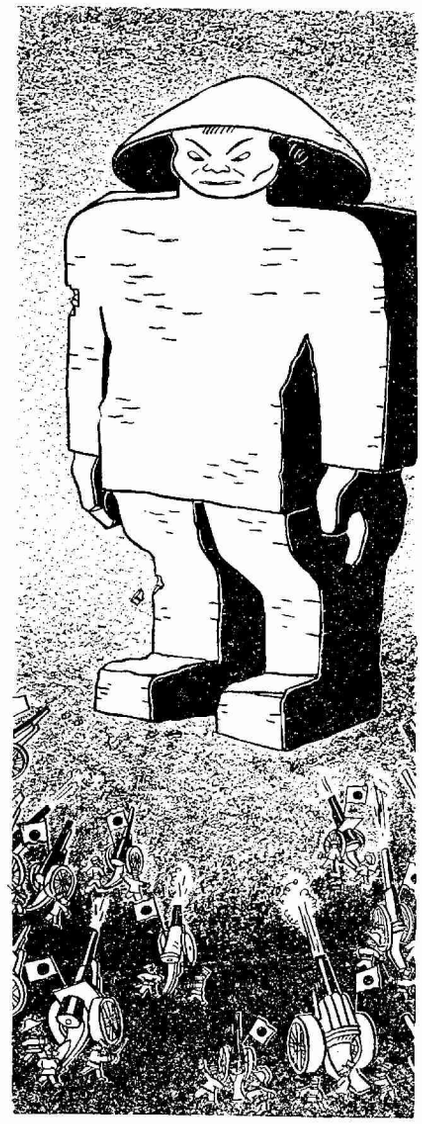
It has been pointed out that up to the end of last June the total of legal tender notes issued by the Government reached $1,727,000,000, showing an increase of more than $300,000,000 over that in June last year prior to the outbreak of hostilities, which was $1,407,000,000; while index figures of the cost of living also registered a great increase. Up to the present the total of war bonds has run up to $1,500,000,000, and more is needed to finance the current war. In addition to the continued drain on the financial resources, speculations and flight of capital constitute a grave menace to China's monetary system and will eventually result in currency inflation. All these facts suffice to make us feel pessimistic about the future of Chinese currency, but we closely examine them, all our pessmistic feelings are removed.

Supply and Demand

The writer then made the following explenations:

1. The increase in the issuance of legal tender notes was due to greater demand. Since the scene of hostilities is shifted inland, Kwangtung, Kwangsi, Szechuan, and Yunnan have one after another adopted legal tender notes to replace their provincial currencies, and hence more legal tender notes are in demand in these provinces. During the war considerable amount of legal tender notes have been destroyed in the war-torn areas. Since the outbreak of the war, most of business transactions

Colossus



Ken Magazine

are being done on a cash basis. In forcible circulation of military notes in Japanese occupied areas and the increase in commodities prices have also caused the increase in the demand for legal tender notes. It must be also pointed out that the total of legal tender notes thus far issued is smaller than the total worth of Chinese exports last year which was $1,792,000,000. This shows the notes issued are based on the needs of trade.

2. The increase of commodity prices is due to the lack of supply resulted from the decline in production in war-affected areas. The soaring up of the prices of imported goods and war insurance premiums has also directly or indirectly caused the increase of commodity prices in various parts of this country.

3. All the $1,500,000,000 war bonds have been subscribed by people at home and abroad and converted into deposits in the banks, and the part subscribed by overseas Chinsee and foreign traders cannot be converted into foreign exchange due to the imposition of the exchange control measures.

Turning to the question of the "Black Market," the writer asserts that it will not seriously affect Chinese currency. Firstly, he explained, since they cannot be converted into cash, legal tender notes circulated in the "black market" will not decrease Chinese currency reserves. Furthermore, since the enforcement of exchange control regulations, the Central Bank of China has been instructed not to allot foreign exchange for illegitimate purposes.

Secondly, the drop in the value of legal tender notes on the "black market" has not only cause the increase in the prices of imported goods which will unfavorably affect foreign traders, but also raised Chinese commodity prices that will hard hit the living of the Chinese people as a whole.

Thirdly, the funds for the purchase of munitions are derived from cash reserves abroad, and the rates offered by the "black market" are no burden to the government financially. Foreign exchange absorbed by Chinese exporters are sold to the Central Bank of China, unaffected by the "black market."

In conclusion, the writer reiterated that the "Federal Reserve Bank" notes and Japanese military notes which are now flooding the occupied areas will die a natural death, because popular confidence in legal tender notes cannot be shaken by the useless attempts of the enemy.

Copper Coins

A total of 500,000 pieces of copper coins was sent here in the past month, but it was regarded as insufficient to meet the local demand, according to well-informed financial circles. The Central Bank of China is reported to have requested the Ministry of Finance to send another 5,000,000 pieces of copper coins of one cent each to Shanghai for circulation.

A total of £4,100 foreign exchange was granted to Shanghai and £1,300 to outports for the week ending December 2, according to information from the Central Bank. This represents an increase of £900 for Shanghai and £200 for outports, or an average increase of 1.8 per cent over the total for the proceeding week.

Preparations are being made by the puppet "Kiangsu Provincial Government" to establish a provincial bank for Kiangsu according to well-informed circles. A capital of $500,000 is being raised by the bogus regime and it is expected that the bank will be formally opened by the early part of next January.

To facilitate the overseas Chinese, who are remitting large sums of money back to China, the Bank of China has recently organized branch offices at Singapore, Pachen and Saigon in the South Sea Islands. The Bank of Communications is making arrangements for the opening of a branch office at Manila.

New Market Will Aid China's Industry

A new Chinese market, one of the largest in the city was opened on Dec. 3 at the corner of Bubbling Well and Moulmein Road. Addresses at the dedication were delivered by Yu Ya-ching, L. T. Yuan, Lin Kang-hou and others. A feature of the opening exercises was the presence of several popular Chinese movie actresses.

The market contains 68 stalls or shops, occupied by dealers in silks, foods, curios, novelties, chemists, etc. The market was designed after the style of Tung An Market in Peiping. Stalls rent faom $30 to $40 a month.

Italian Anti-French Demonstration Causes Uneasiness in Europe

The anti-French demonstration in the Italian Chamber on Nov. 30, brought on by Count Galeazzo Cinao's oratorical reference to the "interests and natural aspirations of the Italian people" has aroused great uneasiness throughout Europe. The Italian press is unanimous in stating that the demonstration must be regarded as a prelude to the presentation of claims by Italy, especially in regard to the French colony of Tunisia.

The *Gazetta del Popolo* declared that the settlement begun at Munich must be continued. The colonial question has now been opened, said the paper. It would be strange indeed if Italy did not think of her sons abroad and if she subjected these sons to the indignity of denationalisation. The *Regime Fascista* stressed that Germany emphasized on numerous occasions that the Reich and Italy are indissolubly linked and that the powers of the Rome-Berlin Axis would always march together.

Inopportune Moment

Discussing the deterioration of Franco-Italian relations resulting from the demonstrations in the Italian Chamber in an editorial Dec. 3, the *Daily Telegraph* declared that the raising of the Tunis question and related problems by Italy at the present moment was most "inopportune." The paper added that the disturbance in the Mediterranean cannot be viewed with equanimity by Britain in view of vital British interests in the Mediterranean. Reestablishment of friendly relations between Britain and Italy could be effected only in the atmosphere of a general appeasement.

The Times likewise regarded the French protest in Rome as justified and declared that it could not be tolerated that methods of agitation replace the method of consultation in the diplomatic intercourse between nations. France's protest against methods whose success would never allow the establishment of stable conditions in Europe is therefore wholeheartedly supported by Britain.

Press Uneasy

English newspapers Dec. 3 showed anxiety over the new tension in Franco-Italian relations culminating in the protest made by M. Francois-Poncet, new French Ambassador to Rome, to the Italian Foreign Minister Count Galeazzo Ciano Dec. 2.

The *Daily Express* believed that the British Government thinks of instructing Lord Perth, the British Ambassador in Rome, to ask Italy for a more friendly attitude towards England's ally. The same paper hinted at the possibility that France, if the tension grows, might withdraw her Ambassador to Rome, who was appointed only a few weeks ago.

The *News Chronicle* went so far as to say that Italy dealt a heavy blow to the policy of "pacification" and that it had become doubtful whether Prime Minister Chamberlain under these circumstances would be able to go to Rome as planned for January 10.

The British and French Governments are exchanging opinions on the Franco-Italian quarrel. The French Ambassador to London, M. Charles Corbin, called on the British Foreign Office Dec. 2.

Conditions Reported

Italian conditions for an understanding with France were reported by the *Evening Standard* Dec. 3 to be the following:

1. Strengthening of Italian influence in the administration of the Suez Canal;
2. Readjustment of the situation as Regards the railway from Djibuti to Addis Ababa, which is the only line connecting Abyssinia with the sea and which is in French hands; and
3. Modification of regulations concerning the immigration of Italians into Tunis and naturalization of the Italians in the protectorate. The regulations in question were agreed upon between the two countries in 1935 but have never been applied, as the French Parliament has not ratified the agreement.

According to the *Evening Standard*, the Italian Government desires the drawing up of new regulations more favorable to the claims of the Italian settlers in Tunis.

Danzig Interested

Officials circle in Danzig are evincing keen interest in the Italian claim for a settlement of certain still outstanding territorial problems.

Commenting on the demonstrations which occurred in the Italian Chamber during Count Ciano's speech when several Deputies interrupted the speaker with cries of "Tunis, Tunis," the *Danziger Vorposten*, official organ of National Socialist Danzig, said Dec. 3 that, in the view of Britain and France, the incident in the Italian Chamber has made the above question acute. As regards the attitude adopted by Germany in this matter, the paper pointed out that the German press prominently featured an editorial which appeared in the *Giornale d'Italia* and which stressed that neither Germany nor Italy regarded themselves as satisfied.

The paper then went on to declare: When it is asked in France by men like Pertinax whether the Reich is at the back of the demand for Tunisia and whether in these circumstances the journey to Paris of the German Foreign Minister should be deemed opportune, the more posing of this question must be regarded as a further link in the chain of false reports which were designed to poison the international atmosphere, such as a recent report of alleged German mobilization plans. Since Berlin and Paris are merely endeavouring to build up a peace based on justice, the question put by Pertinax and its implications must be regarded as a maneuver aimed at disturbing international peace.

New Demands Made

Following closely on the heels of the Italian colonial claims, was the submission of demands on Yugoslavia on Dec. 3 by Hungary, Bulgaria, and Albania. According to a report in the London *Evening Standard*, the demands are said to cover the territory lost by these countries to Yugoslavia following the Great War, and notes concerning this subject have already been sent.

According to rumors current in Belgrade there is inclination in government circles to favor the return of three small areas to Bulgaria as a "symbolic adjustment." The Bulgarian claims are much more extensive, however, and include certain Macedonian districts in the south and a strip along the Yugoslav-Bulgarian frontier in the north.

Albania is demanding a similar strip of territory along the southern frontier, and Hungary has submitted claims to a district on the Yugoslav-Hungarian border.

Importance is attached in this connection to the recent election statement by Premier Stoyadinovitch, when he declared that no Yugoslav territory would be surrendered to any country.

Spanish Envoy's Recall Angers Belgium

Great surprise mingled with indignation has been caused in Brussels by the recall of the Spanish Republican Ambassador, Senor Ruiz Funes, under circumstances described as unprecendented in diplomatic history.

The Belgian Government had not been Officially notified by Barcelona of the recall which it learned only through press reports, and the Ambassador together with all members of the Embassy staff had already left Brussels without taking leave of the Foreign Minister of informing the government of his departure.

It is stated that the Ambassador, caused his visiting card to be left at the Foreign office "pour prendre conge," but this is not regarded as the equivalent of a personal call prescribed by usage. The Belgian Government announces that it has recalled its Ambassador to Barcelona and that the diplomatic reliations with Republican Spain have thus been severed.

Political circles here believe that the left-wing Socialist group under Vandeervelde, which is strongly opposed to the despatch of a Belgian representative to Burgos, may have inspired the Republican Government to take the step calculated to make further difficulties for the Spaak Cabinet, within which dissensions are known to exist on other questions.

Soviets Mark 2nd Anniversary

December 5th marked the second anniversary of the adoption of the "Great Stalinist Constitution." Toilers of the Soviet Union marked this national fete by new industrial achievements. On December 1, 18 mines of the Stalin region had fulfilled their annual plan for coal output with the excess of nearly 420,000 tons, the Stalin mine alone having overfulfilled the annual plan by more than 107,000 tons of coal. The steel-smalters of the 'Sickle and Hammer' plant in Moscow exceeded the November plan and on December 1 produced over 611 tons, the daily norm being 468 tons. The instruments plant in Moscow has fulfilled this year's industrial program and pledged by the end of the year to exceed the plan by three million roubles worth of commodities.

Four hundred artels and unions of industrial cooperatives in various cities of U.S.S.R. have fulfilled pre-schedule the industrial program of output of commodities of general consumption.

Aviation Firms Are Consolidated

Merger of the Japan Air Transport Co. and the International Aviation Co. into the Dai Nippon Aviation Co., Ltd., with a capital of Yen 25,500,000 was completed Nov. 28. The Japanese Air Transport Co. will subscribe Yen 1,000,000 and the International Aviation Co., Yen 5,000,000. The remainder of the capital for the new monopoly company, Yen 1,050,000, will be opened to public subscription, with one-fourth of it to be paid up.

At the inaugural meeting, Noboru Otani was elected Chairman of the Borad of Directors, while Takeo Saito was named President. Naomichi Tataoka was named Director. The new company will begin to function Dec. 1. The Communications Ministry is preparing a law governing its operation.

Japanese Press Warns Nation to Be Ready in New Soviet Crisis

Lashing out at the Soviet Union for its refusal to sign a revised fishery convention, the Tokyo *Nichi-Nichi* in a forceful editorial Dec. 5 urged the nation to be prepared to "safeguard its precious rights and interests by any means." The daily exhorted the nation to act with "grim determination" in case the Soviet Union "indulges in bad faith and arrogance by mistaking Japan's patience and conciliation for a manifestation of a weakened policy."

Asked whether any improvement had taken place in the negotiations between the Japanese Ambassador and officials in Moscow, a Foreign Office spokesman declared that the Soviet attitude was "not so good." According to the *Nichi-Nichi*, the Moscow negotiations have reached a deadlock. The journal warned the country to be prepared "for the worst eventuality" if the Moscow Government persisted in its refusal to sign an agreement initialled two years ago and pigeon-holed after Japan concluded an anti-Comintern Pact with Germany.

Only Japan's Way!

Cartoon by Orr in the Glasgow Record was based on Japanese statement that her campaign in South China was designed to "show-up Britain's weakness."

Japanese fishing rights in Russian territorial waters of the Okhotsk Sea and the Bering Sea have been mentioned in history as early as 1605, the *Nichi-Nichi* pointed out. They were confirmed by the Portsmouth Treaty of 1905 "at the sacrifice of blood and money" and reaffirmed by the Peking Treaty of 1925, the paper recalled.

Fisheries Protest

Japan on Dec. 2 protested against an alleged failure of the Soviet Union to carry out her part of a bargain providing for a mutual exchange of detained fishermen. Summoning M. Constantin Smetanin, Soviet charge d'affaires in Tokyo this morning, Kojiro Inouye, director of the European Affairs Bureau of the Foreign Office, drew the attention of the Russian diplomat to the alleged failure of Soviet authorities to release eight Japanese fishermen detained on charges of having violated the territorial waters of the U.S.S.R. together with 22 others Japanese who were recently liberated. Their release was to be carried out in exchange for the liberation of Soviet fishermen and their craft held in Japan.

Puppets' Suggestion

Submitting a four-point proposal to facilitate the settlement of various issues between Manchukuo and the Soviet Union, Nobumasa Shimomura, diplomatic representative for Manchukuo at Harbin, conferred with the Soviet Consul-General Dec. 2. Discussions of the proposals originally sent the Soviet official on Nov. 26 lasted five hours. The message outlined the proposals as follows:

1. Inviolability of all employes, staff members, and officials of the Manchukuo Consulate in Soviet territory;
2. Acknowledgment of the regular diplomatic courier system;
3. Freedom of communications;
4. Facilities for travel in Soviet territory for staff members of the Manchukuo Consulate.

Shimomura reportedly told the Soviet Consul-General that the Manchukuo Government was prepared to seek a "fundamental solution of these problems on the basis of reciprocity" provided the Soviet Union would "appreciate" the intentions of the Manchukuo Government. No reply has been received from the Soviet authorities on the proposals made by the Manchukuo official, *Domei* reported.

"Red Route"

Further disruption of transportation facilities along the so-called "red route," by which military supplies have been received from Russia, as a result of repeated raids by Japanese Army airplanes was claimed in Japanese military dispatches received in Peiping. Japanese planes have inflicted heavy losses on Chinese troops in raids on Tungsheng in southern Suiyuan and surrounding areas, the messages said. The headquarters building of Gen. Fu Tso-i, commanding Chinese forces in that area, was demolished in a raid Dec. 3, the dispatches stated.

Polish-Japanese Still Friendly

Polish Ambassador Romer called on Vice-Minister Sawada and Tatsuo Kawai, director of the Information Bureau at the Foreign Office on Nov. 29, and explained that, despite reports probably spread in the interests of the Soviet Union and France, the reaffirmation of the Soviet-Polish non-aggression pact does not in the least change Warsaw's friendly attitude towards Japan.

The reaffirmation was made in order to prevent aggravation of Soviet-Polish relations which had been growing strained and consisted in nothing more than agreement to observe the spirit of the old treaty, the Polish Ambassador said. He assured Sawasa that there was nothing in this which might induce the Soviet Union to take a positive attitude in regard to East Asia, as had been rumored in some quarters. He was convinced that there was nothing in the agreement which might shake the friendly relations of Poland with Japan and the Polish Government would continue to make every effort to maintain such friendly relations with Japan.

Rice Bought With Military Notes

The Japanese army is carrying out plans for the purchase of 1,000,000 piculs of rice in Sunkiang, Tsingpu, Tazang, Changshu, and Wusih for shipment to Japan, Formosa and North China, in view of the shortage of foodstuffs for the Japanese troops. It is said that the purchases are being made through the various puppet *hsien* governments in the occupied areas and are being paid for with military notes. During the past week, it is estimated that between 200,000 and 300,000 piculs of cereals have been collected by the Japanese.

Peace Remark is Questioned

Commenting on the statement made by Dr. Hu Shih, new Chinese Ambassador to America, in the course of his speech at American Lawyer's Dinner reception on December 4 that China had indirectly proposed peace to Japan after the fall of Canton and Hankow, but because the Japanese peace terms were unacceptable, China decided to carry on the struggle, the *Yih Pao* declared this week, in a short commentary note, that Dr. Hu must have been drunk, if the *United Press* man did not misquote him.

Prior and after the fall of Canton, the journal continues, Mr. Wang Ching-wei, Chairman of the Central Political Council, had issued two press interviews concerning peace talks. But these two statements were the personal opinion of Mr. Wang and could not be construed as a "feeler" of the Central Government. If Dr. Hu based his statement on Mr. Wang's, he is grossly mistaken; for he did not distinguish between the views of the Government and an individual.

If what Dr. Hu said, the paper asserts, was not referred to Mr. Wang's statements, the Chinese Ambassador is guilty of creating rumors; for China's decision to continue armed resistance was not due to Japan's rejection of her peace overtures. Had China actually proposed peace to Japan, the Japanese militarists would have given it much publicity. The journal concluded by urging the Central Government to serve a warning to Dr. Hu if the *United Press* report is correct.

Spirit of 76

The Chinese diplomat in his speech likened the present conditions obtaining in China to those which faced the American colonies in 1776.

"Our armies are undergoing the hardships and trials of China's Valley Forge," he declared. "As certain as the fact that the superior condition, strength and armament of his foes was no match for the indomitable courage of George Washington and the spirit of the Colonial troops and of Congress, just so certainly will Japanese manpower and the mechanization of her sprawled-out armies prove no match for the courage and the national spirit of sacrifice which is inspiring the Chinese armies in their fight to prevent the crushing of a great nation and a great culture."

American Artificial Silk To Be Called "Nylon"

Dr. C. M. A. Stine, vice-president of the E. I. du Pont de Nemours & Compay. in a lecture at the New York *Herald-Tribune* Forum, described the new artificial silk yarn, recently invented invented, that is expected to replace Japanese silk in the American hosiery industry. According to Dr. Stine, the new thread, technically knwn as "Yarn 66" or "Nylon," can be fashioned into a filament which is, "strong as steel, fine as a spider's web, yet more elastic than any of the common natural fibers, and possesses a beautiful luster."

In addition to the U. S. $10,00,000 factory factory for producing the new artificial silk which the Du Pont interests are erecting the Celanese Corporation is also building a somewhat similar factory to manufacture a like product. The two enterprises are expected to make the U. S. independent of the Japanese raw monoply, recently strengthened by the action of the Japanese Army by grabbing the Chinese silk industry in the Shanghai-Nanking-Hangchow district.

Relief Association Grants $140,000

Relief grants amounting to nearly $140,000 were made by the Shanghai Refugee Relief Association to 70,000 refugees in 66 local camps during November. Mr. Kenyon Tseng, spokesman for the Association, told *The China Press* this week. With price for rice slowly rising Mr. Tseng said grants this month have been increased. In November, grants were made to the camps on the basis of $1.90 per refugee, but this month, he said, the per capital allowance has been increased to $2.00.

In deciding upon the grant made to each camp, the Association works through its Refugee Maintenance Committee and the Supervisory Committee. The former is to decide upon the per capita cost of refugee for rations while the latter is to determine the number of refugees living in each camp. Workers in various camps also assist the Association. Mr. Tseng said, by submitting daily reports to the Association on the number of refugees it accommodates. The Finance Committee of the Association is the body which authorizes the payment of the grants to the camps. Mr. Tseng said that grants are made to each camp twice a month, on the 1st and the 15th. Should the grant for the 15 days period exceeds the needs of the camp during the interval—since its inmates may decrease in number—the excess amount is than deducted from the grants for the subsequent period.

The highest executive committee of the Association is the Board of Control. This Board is headed by Mr. Yu Ya-ching, member of the Municipal Council. The Vice-chairman of the board are Mr. C. M. Shu. General Manager of the National Commercial Bank and Brigadier-General F. B. Macnaghten. Members of the Board include Mr. W. J. Keswick of the Jardine, Matheson and Co., Mr. G. E. Mitchell of the Butterfield and Swire, M. J. Donne, a prominent French resident in the city, Mr. Eugene Kiang of the Municipal Council, Mr. Yulin Hsi, a well-known accountant, and Messrs. Li Ming and C. C. Woo, prominent bankers. Another committee of the Association is the Rehabilatation Committee, headed by Mr. Kiang. As yet, this committee, Mr. Tseng said, has not begun its functions.

The executive branch of the Association under the Board of Control is the Secretariat which is headed by Mr. L. T. Yuan, another member of the Municipal Council. Under the Secretariat are four departments, Finance, Refugee Maintenance, Rehabilatation and Supervisors. These departments carry out the work of the Committees hearing those names respectively.

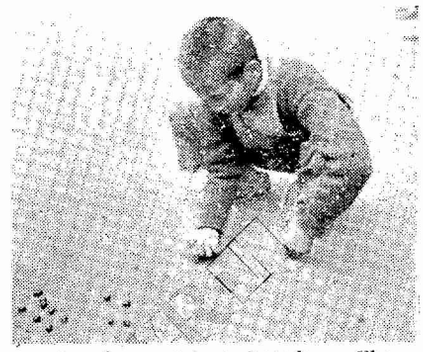
A very important committee of the Association, Mr. Tseng said, is the Collecting Committee. This committee devises means of raising funds for the work of the Association.

Besides an outright donation of $100,000 from the National Government for its work, the Association has fixed current financial resources. These resources are regular contributions made to the Association by patrons of restaurants and hotels and by salaried employes of a large number of commercial houses. Despite its large personnel, due to the immensity of its work, the Association's overhead, Mr. Tseng said, is only $2,000 per month, Except for the few clerks and stenographers, all workers of the Association receive no salary. A prominent educator of the city, Mr. Tseng said, has consented to head the educational committee of the Association. This committee will supervise the educational program of the Association among refugees.

Overseas Help

Chou Chi-kang, Assistant Director of the Overseas Party Affairs Planning Committee, who has been on an inspection trip abroad, has returned to China, arriving Kunming from Annam Dec. 2. Interviewed, Chou said that overseas Chinese are actively supporting the Central Government's campaign of resistance. Since the outbreak of the Sino-Japanese hostilities last year, Chou said, Chinese throughout the world have made generous contributions, either for augmenting the Government's war chest or for facilitating war relief.

Training for youths in Mr. Yu Ya-ching's relief project at Fenghua, Chekiang.



A refugee tot at Fenghua, Chekiang, being cared for in a project sponsored by Mr. Yu Ya-ching, who heads a Shanghai relief body.

The total donations have so far already exceeded $100 millions, he said. "This shows the faith of Chinese living abroad, who are stoutly united in spirit with the Chinese people at home in resisting the invasion," Mr. Chou added.

Widow Donates

Madame Shao Yuan-chung, widow of the former member of the C.E.C. who was killed during the Sian Incident in December, 1936, has made a personal contribution of $5,000 for the purchase of winter clothing for the soldiers at the front and for the relief of the victims of the recent fire at Changsha, provincial capital of Hunan.

For China and Spain

The suffering women and children of Spain and China are to have their Christmas made a little happier this year by the American Red Cross, who are preparing to ship consignments of sweets, foodstuffs and medicines to those war-torn countries. Shipments will be sent to both the Republican and Nationalist sides in Spain, and will contain sweets, tinned milk and soap, as a gift from American school children through the Junior Red Cross.

To China, said the *New York Herald-Tribune*, will go 5,000 Christmas boxes containing pencils, crayons and toys packed by the Junior Red Cross children in schools along the United States Pacific coast, as well as quantities of nuts and candied fruits. The cost of these shipments is met from the national children's fund of the Junior Red Cross, which consists of one-cent pieces earned and donated by children all over the nation. Other tinned foods, medicines, cracked wheat and flour in the shipments will be donated by the Red Cross.

K. P. Chen Resumes Talks in Washington

K. P. Chen, President of the Shanghai Commercial and Savings Bank, and head of the Chinese Financial Mission in the United States, returned to Washington from New York on Nov. 30 in order to resume discussions with officials of the U. S. Treasury Department. It had previously been reported that the occupation of Hankow and Canton by the Japanese had caused the China-U.S. financial discussions to be discontinued and that Mr. Chen had departed for Europe.

Mr. Chen's discussions at Washington have been conducted chiefly with Archie Lockhead, Technical Assistant to the Treasury Department and Director of Stabilization.

The *Sin Wan Pao* published a report on Dec. 1st stating that Sino-American economic discussions were proceeding smoothly and that the American Government had agreed to continue purchases of Chinese silver and prevent the price from fluctuating. The paper also, claimed that substantial agreement had been reached for a loan of U.S.$30,000,000 to China and that K. P. Chen was returning to China shortly to seek further instructions concerning details. Other members of the Chinese delegation would remain in Washington.

A *Domei* report from Tokyo on Dec, 2nd stated that the Japanese Government had decided to send a full-time Financial Commissioner to the United States. Previously Masaji Arakawa, Financial Commissioner to London had served concurrently in the United States. The Tokyo report stated that the Japanese Goverument's recent decision was based on the "greater attention now being given to the United States in the field of international finance and economy in relation to Japan."

Chen in China?

K. P. Chen, China's chief delegate to the Sino-American economic conversations at Washington, who returned here on December 3, abroad the China Clipper, will proceed to Chungking within a few days, Chinese reports said this week. In Chungking, Mr. Chen will report to the Central Government on the results thus far achieved at the economic parley. He will return to the United States within the shortest possible time to continue the talks.

Insurance Firms Start Movement

A movement has been started by foreign and Chinese insurance firms in Shanghai for the purpose of settling possible disputes between insurance firms and claimants of insurance money resulting from the present hostilities. To this end, three special committees will be organized jointly by fire insurance firms which are bound to be much involved in these disputes.

Japan's Military to Get Five Billion from Eight Billion Budget

JAPAN'S Next year's budget totalling Yen 3,694,000,000 was compiled with a view to concentrating national resources to carry on her military operations in China successfully, Seihin Ikeda, Finance Minister, declared Dec. 2 after the figures were approved by the Cabinet. The amount of the special military budget in the Sino-Japanese conflict will be Yen 5,000,000,000. This supplementary budget of expenditure is not included in the estimates that the Japanese Cabinet submitted to Parliament.

Economy was the guiding principle in planning expenditures, Ikeda said, while scrupulous attention was paid to the necessity of effecting a readjustment of supply and demand in relation to materials, funds and labor, as well as checking an increase in payments abroad. Funds conserved by various government departments were appropriated for undertakings vitally necessary in connection with the hostilities, Ikeda stated. New appropriations approved included those to aid families of soldiers, promote foreign trade, expand the productive capacity of industries, develop civil aviation, carry out river conservancy projects and encourage horse breeding.

The Finance Minister pointed out that revenue from taxes totals about Yen 2,069,000,000, an increase of Yen 264,000,000 over the working budget. This was seen by Ikeda as an indication of the "strength and expansion of Japan's economic resources." A reduction of Yen 23,000,000 was effected in next year's naval estimates, which total Yen 653,942,762, a spokesman of the Navy Office said. Stringent economy was enforced, he stated, although new appropriations were made for equipment and maintenance of new warships. Basic naval estimates for next year total Yen 592,768,408 and requests for new appropriations amounted to Yen 61,174,354.

The sum of Yen 164,450,000 was cut from the working budget in compiling next year's Army expenditures, although new appropriations amounting to Yen 7,193,000 were approved, according to a spokesman of the War Office. Next year's army estimates total Yen 495,712,000. An appropriation of Yen 3,200,000 was made for training Army aviators and Yen 700,000 was allotted to the Reservists' Association, the spokesman said.

Reasons Advanced

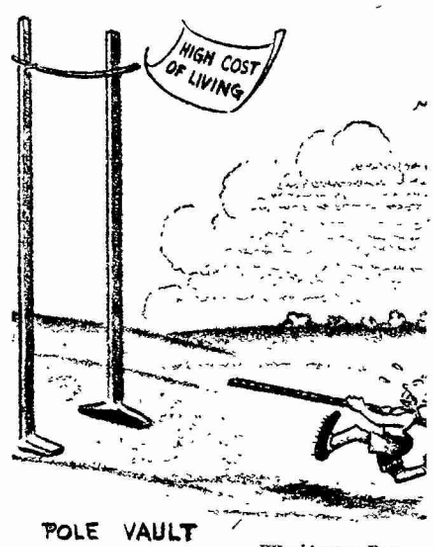
Previous to the budget's approval, Tokyo business widely discussed the question of tax increases to cover part of the budgetary increase so as to adjust finances to the needs of the long-term warfare. The reasons advanced were:

1. Similarly as with the encouragement of thrift, the surplus purchasing power gained from wartime profits is to be absorbed for preventing vicious inflation.
2. The lopsided prosperity in the wartime situation is to be corrected and social equilibrium in burdens secured in the concrete through increased taxation.
3. Interest on public bonds is to be paid by increased tax revenue and digestion of public bonds helped.

These points are all such as should be considered from the standpoint of organizing finances adapted to the policy of long-term construction but there are also the following ways of looking at the matter:

1. If tax increases are to be regarded in the same sense as thrift encouragement and consumption economy, the moral blow to the economic world from tax increases would be all out of proportion to the Yen 200,000,000-300,000,000 additional revenue to be secured from tax increases and no very visible results can be expected in absorbing surplus funds.
2. As regards equilibrium in tax burdens, unevenness between the central and local systems has to some extent been levelled off and marked progressive taxation is in force even as it is, so that regulation of burdens through increased taxes does not seem to promise much direct results.
3. As the public bond issue in the next fiscal year is likely to amount to Yen 5,000,000,000-6,000,000,000 at least the total issue

MARATHON



POLE VAULT

Washington Post

comprising all deficit-covering bonds will come up to something like Yen 20,000,000,000 but the provisional tax increase law is securing additional revenue of Yen 270,000,000 and the "China Incident" special taxes some Yen 310,000,000, or Yen 580,000,000 altogether, so that interest on the bonds can be paid from the sum, especially in view of the natural increase in revenue expected in the next fiscal year.

Optimistic

Optimism regarding the financial outlook in Japan was expressed Dec. 3 by Toyotar Yuki, Governor of the Bank of Japan, in a press interview on a train bound for Osaka, where he was to attend a meeting with bankers from western Japan. The credit situation, Yuki said, was favorable with the year-end likely to pass quietly with demand for funds decreasing except for those needed in the expansion of the nation's productive capacity.

Absorption of government bonds was so satisfactory that 93 per cent of bonds issued up to November of this year, totalling Yen 3,630,000,000, had been digested, he added. The present low rate of interest would have to be maintained so as to facilitate the issue of a large amount of government bonds and to secure an even supply of funds for the expansion of the nation's productivity, according to Yuki.

Pessimism concerning Japan's overseas trade was deprecated by the Governor of the Bank of Japan who emphasized the remarkable improvement in the trade balance of recent months which, he said, chiefly was due to a decrease in imports. While admitting a corresponding decrease in exports, Yuki said that Japan's export trade would have to be developed to maintain Japan's purchasing power on one hand and on the other hand to safeguard her markets abroad.

Exports to the yen bloc countries, including Manchukuo and China, would not bring foreign currency to Japan, but, Yuki said, he doubted if they would be deterred indiscriminately in view of the co-ordinated economic fabric which had to be built up between Japan, Manchukuo and China. Regarding the development of China, for which the North and Central China Development Companies already had been organized, Yuki declared that there was no reason to reject foreign investments in continental development.

On the contrary, Japan should co-operate in economic reconstruction and rehabilitation in China with those nationals of third Powers who were interested there, Yuki said. The Governor of the Bank of Japan reiterated that the nation would have to be prepared for controlled economy which would be further strengthened to deal with the emergency situation confronting Japan.

Manchukuo Aid

In compliance with the wishes of the Manchukuo Government, the Japanese Government was reported to have decided to offer Manchukuo a share in the Japanese military budget for the next fiscal year. The Manchukuo Government, it was explained, already had paid to Japan Yen 19,000,000 for the current fiscal year as its share for joint defense expenditures in accordance with the Japan Manchukuo Protocol.

Stocks Rise

Stocks bounded upward Yen 1 to Yen 2 on a wide front Dec. 2 following the official announcement of the 1939-40 budget. This was attributed to the wave of optimism which followed indications that there would be no further increase in taxation.

More than 100,000 Japanese have complied with new government regulations requiring the registration of gold coins, both Japanese and foreign. A Macedonian gold piece believed to be about 2,000 years old was brought to the registration office. Officials listed it as a curio.

Yen Racket

The effects on Japanese foreign trade of the creation of a yen circulation in Central China, of yen speculation in Shanghai, and of various devices of Japanese business firms to secure convertible foreign exchange in Shanghai have been more far-reaching than appears to be generally assumed, according to the *Japan Chronicle*. The paper writes:

"We refer to the method of obtaining an extra profit, or alternatively of cutting prices to buyers abroad so low as to make it impossible for the honest trader to compete, by receiving partial payment in foreign currency that can be converted in Shanghai. The best days of this ramp are now over, but there is still enough of it going on to make it a serious matter. As long as the full price is charged, then of course the only loser is the Shanghai owner of yen who sells them cheaply.

"All the yen so disposed of bought a full worth of value when first taken to Shanghai, and so the Japanese Government cannot be the loser. In fact every such transaction actually supports the yen, for it is necessary for these notes to be repatriated lest their Shanghai value slump to nothing.

"The damage, as far as Japan is concerned, is done when the exporter is willing to accept lower prices in foreign currency in the knowledge that he can more than recoup himself in the Black Bourse. Prices to South American and South African buyers in particular have been undermined by this sort of dealing, manifestly unfair to the honest house which has refused to break the exchange control regulations.

The result has also been to upset these markets abroad, and at least one government—the Government of the Argentine—is consequently finding it necessary to take steps to check further import of Japanese goods."

Problem of Giving Refuge to Jews Occupying Attention of World

A plan for a solution of the Jewish problem, at least in so far as it concerns Germany, was submitted to the International Refugee Committee on Dec. 3 by the Jewish Agency. Emphasis was placed in the plan upon the younger generation, it being declared that arrangements have been made far accomodation in Palestine of the entire Jewish youth of Germany. Special attention is being paid to the agrarian training of youth and preference is to be given to members of families which have already settled in Palestine.

Circles occupied with the Palestine question do not believe that the plan will be accepted by the mandate government, reference being made to the assertion by the British Secretary for Colonies, Mr. Malcolm MacDonald, that Palestine is not in a position to solve the Jewish problem in its present state.

Committee to Meet

The Inter-Governmental Vice-Chairman's Committee on Refugees, appointed by the Evian Conference, decided at its meeting in London Dec. 2 that the Evian Refugees Conference will meet again in London in the middle of January. The Conference will discuss practical measures for the settlement of refugee Jews. It is understood that France contemplates admitting 10,000 refugees to her colonies.

Earl Winterton, Chancellor of the Duchy of Lancaster, stated that a preliminary report showed that Britain Guiana was suitable for a settlement. It is gathered that the Argentine and Brazilian viewpoints are not unfavorable.

The Inter-Governmental Vice-Chairman's Committee on Refugees met in London Dec. 2 for the first time since the anti-Jewish riots in Germany, under the presidency of Earl Winterton, to discuss the report of Mr. G. Rubles, Permanent Executive Director of the Committee, who has been inquiring in various countries regarding the settlement of Jews. Great Britain, the United States, France, Holland and Brazil were represented at the meeting.

Times Pessimistic

Faint prospects were held out in *The London Times* Dec. 2 of the Evian Conference powers being able to render any speedy and far-reaching assistance to the Jewish emigrees from Germany or to other political refugees. Referring to the work of the refugee committee set out at Evian and now in session in London, the paper deplored the fact that no arrangements had been made for linking up the activities of this committee with those of the Permanent Refugee Committee of the League of Nations.

Australia Opens Door

Mr. Macewen, Minister of the Interior of the Australian Commonwealth, announced in the House of Representatives on Dec. 1 that Australia is prepared to admit 15,000 Jewish emigrants from Germany during the next three years. This number, the Minister stated, was the highest possible under the existing circumstances and could not be exceeded without adversely affecting employment conditions and the standard of living in Australia. He added that preference would be given to Jews capable of developing industrial activity in the Commonwealth.

Central America

An unnamed Central American country has offered to open 10,000 square miles for 25,000 Jewish families, according to the Jewish Telegraphic Agency Dec. 3.

The offer, says the Agency, required 40 per cent of the applicants to be agriculturists, 40 per cent of them to be artisans and 20 per cent of them to be professionals.

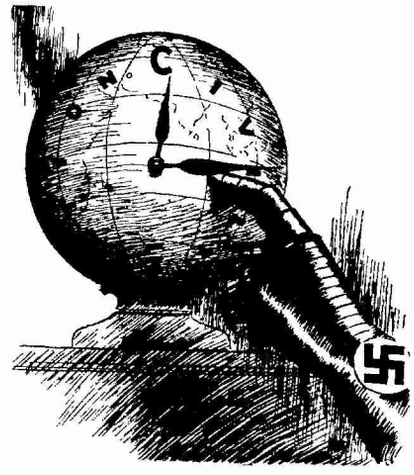
New Anti-Jew Laws

German Jews are forbidden to drive motor vehicles of all kinds and are banned from various public places in Berlin in the latest anti-Jewish decrees issued by the Chief of the Secret Police.

Another decree is expected to be issued shortly compelling Jews of both sexes, when outdoors, to wear a yellow badge inscribed with the Star of David.

The car prohibition decree adds that German Jews are no longer allowed to possess motor vehicles and motor bicycles,

Turning Back the Clock



New York Times

but are permitted to own lorries. By December 31, Jews must surrender their driving licences.

With the aim of preventing Jews from appearing in certain streets and quarters of Berlin in future, the Prefect of the police, Count Helldorf, issued a decree which went into force on Dec. 5, establishing a "prohibited area" for the Jews.

The previously reported prohibition to visit theatres and other places of entertainment or to attend lectures is under the terms of the new decree, which is extended so as to include visits to museums, exhibition buildings, the two vast meeting halls—Deutschland Halle and Sport Palast—Reichs sports grounds and all bathing establishments.

The Jews are also no longer to be allowed to enter the so-called government quarter comprising the sector of the Wilhelmstrasse between the Leipzigerstrasse and the Unter den Linden and the Vossstrasse between the Wilhelmplatz and the Hermann Goeringstrasse as well as part of the Unter den Linden.

A communique published by the Prefect of the police simultaneously with the decree indicates that the prohibited area will shortly be extended to a number of main streets of the capital, including the Kurfuerstendamm, Friedrichstrasse, Tauentzienstrasse, the whole of the Unter den Linden and various thoroughfares in the west end where Jews are especially numerous. It is added in the communique that those streets in the poorer quarters in the center and north of Berlin in which the Jewish element has predominated for many years in the past will probably not be included in the prohibited area.

Question in Rumania

King Carol II. after his return to Bucharest from abroad has asked the government to take comprehensive international action for a regulation of the Central and Eastern European problems, in particular the Jewish question in Rumania. In future all Jews who are unable to prove their Rumanian citizenship are to have identification cards valid for 12 months. Emigrants in posses sion of Nansen passports will not be supplied with identification cards. The Rumanian Home Minister has instructed the police to exercise a stricter control of the foreigners.

Kuling Foreigners Reported Safe

Twenty-seven foreign residents of Kuling, out of a total of about 150, are anxious to leave the Lushan mountain resort, Japanese consular and military authorities were informed at Kiukiang Nov. 26. This was conveyed to them by Lieut. C. V. Conlan, commander of the American gunboat Monocacy, and Lieut. J. M. S. Cox, commander of the British gunboat Cockchafer, who called at the Japanese Consulate here. Their information was based upon reports made by Lieut. C. P. Caulfield, executive officer of the U.S.S. Monocacy, and by Lieut. J. B. Cox, who holds the same post on H. M. S. Cockchafer. Both officers left Kiukiang for Kuling Nov. 21, accompanied by two Chinese coolies. They returned Nov. 25.

The Principal obstacle to the evacuation of those wishing to leave the summer resort, the Japanese authorities were understood to have been informed, was the refusal of the Chinese troops in the vicinity of Kuling to sanction their departure unless authorization is obtained from Chungking, Japanese military authorities here interpreted this as an attempt of the Chinese remnants to stay off as long as possible a Japanese attack by using the foreign residents as a shield.

The British and American officers were informed that the Japanese authorities would be prepared to furnish transportation for the evacuees from Lienhwantung, 10 kilometers south of Kiukiang at the foot of the mountain, to Kiukiang in trucks, and to take them from Kiukiang to Shanghai on a Japanese military transport-returning from up-river. Out of 35 Americans still on the mountain, 10 wish to leave, while out of 72 Britons, 14 are anxious to be evacuated. One Swiss woman and one child and one German woman made up the complement of those wishing to leave, the Japanese authorities were told. Twelve Swedes comprise the third largest foreign group in Kuling, where conditions, according to the American and British officers, are peaceful. The foreign colony was said to have sufficient food and fuel to spend the winter there.

Rodgers Returns

Mr. C. Rodgers, British economic expert, has returned here from an investigation tour of the Yangtsze River. Contrary to the repeated Japanese statements that the Yangtsze is yet unsafe for shipping, Mr. Rodgers is reported to have said that the waterway has been cleared of booms and mines and that many Japanese ships are plying on the river. The British expert is said to have negotiated with the Japanese authorities in Nanking for the re-opening of the river, but the latter still insisted that the time is not rice to open the waterway to third-Power shipping. Mr. Rodgers has dispatched detailed reports of his findings to the British Government and other interested circles.

87-054

China's Frozen Egg Trade Falls Off As Silk Industry Begins Revival

EUROPEAN countries are making strenuous efforts to capture the frozen egg market in London and Paris, declared Mr. U. S. Harkson, managing director of the Henningsen Produce Company last week in an interview with the *China Press*. Mr. Harkson, who has just returned from a six months' tour of America and Europe, said that shortage of frozen egg supplies from China had forced prices up in London and Paris, with the result that it had become possible for several European egg producing countries to enter an industry previously closed to them by reason of production costs.

Chief among these countries, commented Mr. Harkson, were Hungary and Turkey, and it was possible that the Government of these countries would subsidize the industry to some extent in order to hasten its development. Hungary was already supplying frozen eggs to London at profitable prices, while it was also reported that Russia was giving close attentinn to the trade. Paris buyers had found a source of eggs in Algiers, while Poland and Denmark, two countries which previously had exported large quantities of shell eggs to England, were considering the frozen eggs trade also.

The rise in frozen egg prices was due not only to shortage of supplies. Mr. Harkson pointed out, but was also due in no small measure to the exorbitant prices being demanded by dealers for fresh eggs in Shanghai and other Chinese egg centers. It appeared to him that dealers, and farmers as well, were taking a dangerous advantage of the prevailing situation—an advantage which might easily result in an eventual loss of the egg market abroad, unless conditions improved. "I have not had much time to go into the position here since I returned," he said, "but it seems to be obvious that prices are much too high. If this trend continues, it will be impossible for China exporters to meet European competition. although I doubt if the European producers will be able to meet us when conditions return to normal. The China egg is still the highest quality egg frozen, but there is not enough of it at present, and what there is costs too much," he pointed out.

During his stay in the United States. Mr. Harkson said that he spent a day in Washington, where he met Mr. Cordell Hull and officials of the Far East division of the State Department. He described the situation in Shanghai to them, and found them well informed and much interested. Everywhere in the United States there was to be found the keenest interest in the Far East, but it was not easy for the majority of Americans who had not been to the Orient to understand fully the present situation. Developments in China were being followed closely, he concluded.

Egg Industry Here

The egg industry in Shanghai has always occupied an important place among local business activities. Following the war in this part of the country, however, the trade has slumped heavily as the result of the devastation of the villages in the interior and the subsequent decline in the supply, which caused prices of the products to soar. Before the outbreak of the Sino-Japanese hostilities last year, most of the local egg merchants were established in Hongkew, especially in the neighborhood of Tiendong Road where the majority of the leading egg hongs were assembled.

After the war here was over, these firms steadily moved into the foreign areas to continue business. At present the district of Rue du Weikwei in the French Concession has become the centre of the egg business in this city. At the time the local hostilities broke out there were altogether 26 members in the local Egg Dealers Guild. There is still this number today, although smaller establishments considerable changes have taken place, many having closed down business and others opened. As to the egg factories seven are at present in operation. These are the Chinese firm of China Egg Produce Co., the American firms of Henningsen Produce Co. and Borden's Produce Co., the British firms of Ewo Cold Storage Co., Behr (S.) & Mathew, Ltd., etc. all these are located in Hongkew.

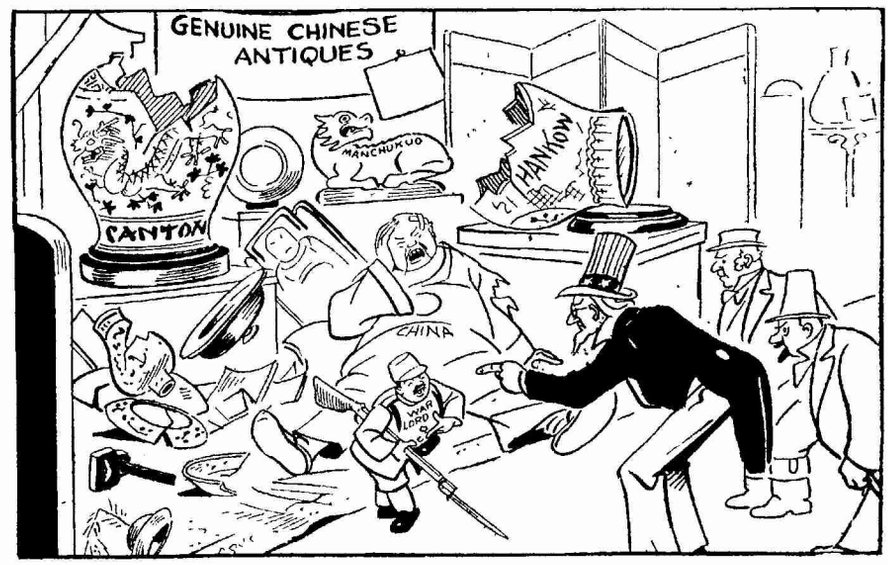
Prior to the war the local egg business depended its supply on five main sources. These are North Kiangsu, the Yangtsze basin, the Tientsin-Pukow Railway, the Shanghai-Hangchow Railway and east Chekiang. With the war driving most of the people in these areas from their homes, the production had dropped heavily while shipments to Shanghai have almost ceased. What little supply reaching this city comes from Wenchow, Haimen, Ningpo in Chekiang and the cities in North Kiangsu. Earlier this year the exports of eggs were banned by the Foreign Trade Readjustment Commission. Upon representations sent by the merchants the embargo was later lifted. However, as the trade is being controlled by the Commission, the arrivals from this area are reported to be all but brisk.

In North Kiangsu the output is also not what it was before and the exports to Shanghai have shown a very large drop compared with formerly.

Under these unfavorable conditions, the supply of eggs in the local market falls far short of the demands. As a consequence, the egg merchants are experiencing a big loss in their business and the egg factories have also been compelled to greatly curtail their operations. As the direct result of the decline in arrivals and the consequent shortage of supply, the price of eggs in Shanghai has soared to an all time high level. At the present the price of hen's eggs has risen to around $45 per 100 pounds, as compared with only $20 before the hostilities started. For duck's eggs, large size, and price is approximately $40 per 1,000 and small size, $31 per 1,000. Before August, last year, they were in the neighborhood of $25 and $20 respectively.

Not only have the current prices soared to new heights but the supply is also uncertain, a shortage in the market being often encountered. According to those in the trade such conditions were never witnessed before. Prior to 1931 the exports of Chinese eggs and egg products were valued at more than $30,000,000 annually. Owing to the higher import duty levied on egg products in foreign countries and the competition put up in the field by other countries, the exports in more recent years have shown a decline. Following the outbreak of the Sino-Japanese war this decline has greatly accelerated as the result of the disruption of communication with the interior.

According to the trade returns of the Customs, the exports of this item from January to September this year were valued at around $12,840,000. Compared with the corresponding period last year this shows the huge decrease of 60%. Notwithstanding the war in this country the demands for eggs and egg products from abroad are said to be as keen as ever. Before the fall of Canton and Hankow, a considerable amount was being exported via Hongkong. However, following the loss of these two cities, the supply from this direction has been cut. The exporting firms in Hongkong, it is learned, are now compelled to look to the Shanghai market for supply. The present daily arrivals of fresh eggs in Shanghai amount to an average of 3,009 baskets (each of 800 pieces). Sixty per cent of this amount are said to come from the east Chekiang area. The consumption of the local egg factories at the present is roughly estimated at 2,500 baskets daily.



Daily Express, London.

"Go easy, young man, some of my goods are in his collection."
"Pardon, most honorable Uncle Sam, it is now my collection."

China's Silk Industry

Before the outbreak of hostilities, 44 silk filatures were operating in Shanghai with a total of 10,086 reeling machines, according to Mr. Chu Yin in a special article published in the *Shun Pao*. As 97 per cent of these filatures were located in Hongkew and Chapei, over 30 filatures were completely destroyed during the hostitlities. It was estimated by Mr. Chu that only 2,652 reeling machines were not destroyed, 6,420 machines were com-

Name of Silk Filature	Location	Number of Reeling Machines	Remarks
Ewo	Chengtu Road	652	Not damaged during hostilities
Tungyu	Alabaster Road	240	Not damaged
Tung Yu No. 2	Mei Yuan Road	240	Not damaged
Chiyu	Kung Ho Road	276	Completely destroyed
Chiuyu	Kung Ho Road	192	Completely destroyed
Chiufoong	Yutung Road	240	Completely destroyed
Yungho	Changan Road	208	Completely destroyed
Fuchong	Changan Road	416	Completely destroyed
Tailum	Changan Road	240	Completely destroyed
Haifoong	Changan Road	192	Completely destroyed
Weiyuan	Changan Road	240	Completely destroyed
Yuanshun	Hengfoong Road	222	Completely destroyed
Kingchen	Hengfoong Road	214	Completely destroyed
Chiehyu	Hengfoong Road	184	Completely destroyed
Shunfoong	Kwangfu Road	240	Completely destroyed
Tafoong	Kwangfu Road	208	Completely destroyed
Chiating	Yunghsin Road	42	Completely destroyed
Hungchong	Chiaotung Road	144	Completely destroyed
Kungta	Chunghsin Road	158	Completely destroyed
Yutai	Tantsewan	200	Not damaged
Chinyi	Tayangchiao	416	Partially destroyed
Meifoong	Pangpuchiao	416	Completely destroyed
Shaoshing	Tangchiachiao	240	unknown
Tehchin	Tangchiachiao	120	Completely destroyed
Hsinchong	Liuyin Road	218	Not damaged
Yufoong	Liuyin Road	228	Completely destroyed
Tungshiu	Kungho Road	40	Completely destroyed
Hengchong	Miaotu	228	Completely destroyed
Paotai	Chungshan Road	322	Not damaged
Kwangyuan	Shiuhsu Road	232	Not damaged
Yufoong	Tientungan Road	226	Completely destroyed
Hsinlum	Tientungan Road	240	Completely destroyed
Yuanchong	Tientungan Road	120	Completely destroyed
Hotai	Tientungan Road	120	Completely destroyed
Yinyi	Paochong Road	200	Completely destroyed
Chunghsin	Yienpao Road	240	Completely destroyed
Tachen	Yutung Road	324	Completely destroyed
Liyuan	Tientung Road	216	Not damaged
Yifoong	Miaolung Road	274	Completely destroyed
Chongkee	Changchiahang	228	Completely destroyed
Chihyuan	Chienchiahang	140	Not damaged
Paofu	Changchiahang	208	Unknown
Hsinchong	Changchiahang	240	Unknown
Chungkuo	Changchiahang	112	Not damaged

Name of Silk Filature	Location	Number of Reeling Machines	Remarks
Hwalum	Chongping Road	124	Operation started
Yungchong	Macao Road	224	Under construction
Chenhsin	Connaught road	200	Under construction
Sanyi	Macao Road	120	Operations started
Chienyeh	Pennang Road	196	Operations started
Hungfoong	Ichang Road	540	Operations started
Ewo	Chengtu Road	680	Operations started
Ewo	Alabaster Road	524	Operations started
Fulung	Pennang Road	164	Operations started
Lienyuan	Pennang Road	144	Operations started
Lienchen	Robinson Road	256	Operations started
Liensen	Great Western R'd	84	Operations started
Hengtseng	Great Western R'd	84	Operations started
Shanghai	Ferry Road	132	Operations started
Tungchen	Ferry Road	300	Under construction
Tehho	Jih-Hui-Kong	218	Under construction
Chenlum	Ma-Pei Road	200	Operations started
Yuehhsin	Singapore Road	176	Operations started
Lienchong	Tungking Road	170	Operations started
Meilung	unknown	160	Under construction
Yufoong	Chongping Road	112	Operations started
Taishun	unknown	56	Operations started
Chinchen	unknown	60	Under construction
Kingyuan	unknown	120	Under construction
Other nine filatures	unknown	936	Under construction

pletely destroyed and 416 machines partially destroyed. The fate of 688 machines of a few filatures were unknown as the managements were not allowed to inspect their plants in Hongkew and Chapei.

Detailed conditions of these filatures are given in the following table compiled by Mr. Chu:

After the withdrawal of Chinese troops from the vicinity of Shanghai in the latter part of 1937, however, numerous new filatures were built in the western district of Shanghai because of the following reasons: (1) the presence of large sums of idle capital in Shanghai, (2) the reduced price of cocoons and the large supply of cocoons in the local market, and (3) the increased price of silk in foreign markets. These new filatures were organized under a new principle of investment, namely, to make sufficient profit within eight months to cover all exponess and capital of the factory. Without the least guarantee of the safety of Shanghai and believing that nothing would happen in Shanghai at least for eight months, these capitalists started to build silk filatures with the hipe to make sufficient profit to cover all the investments in the first eight months. As a result, none of these filatures were well-built and little capital was spent to place the business on a permanent basis.

According to the latest investigation, Mr. Chu declared that there are now 33 silk filatures in Shanghai, of which 17 have started operations while 16 are being organized. The new filatures operating now have a total of 3,762 reeling machines while those not yet ready for operation have a total of 2,218 reeling machines. The following table gives the names and location of these 33 new silk filatures:

While 75 per cent of the silk filatures were destroyed during the hostilities, little damage was done to the cocoons and raw silk, which were sent away to places of safety. These large quantities of cocoons and raw silk were sent back to Shanghai after the withdrawal of Chinese troops from the vicinity of Shanghai. The total amount of raw silk and cocoons thus sent back was estimated to be valued at over $40,000,000.

Last summer, with the exception of the British Ewo and the German Fulai companies, whose agents collected cocoons directly from the villages in the Japanese occupied areas in Kiangsu and Chekiang Provinces at a price of from $40 to $50 per picul, all the silk filatures were compelled to buy cocoons from the Japanese, who have extended full control to the collection and transportation of cocoons in the two provinces. According to well-informed circles, the Japanese purchased cocoons from the farmers at the fixed official price of $30 per picul and that the cocoons were weighted after being dried for three days. Furthermore little of the cocoons purchased by the Japanese were paid by cash. It was estimated that 60 per cent of cocoons purchased by the Japanese from Wusih were paid by opium.

Many farmers and merchants succeeded, however, in sending small quantities of raw silk to Shanghai themselves. But they have to pay exorbitant and miscellaneous taxes on the way. For instance, for the transportation of one picul of raw silk from Huchow to Shanghai, one has to pay $47.50 as "protection tax" between Huchow and Soochow and another $57 as "protection tax" from Soochow to Shanghai, in addition to the freight charges. Before the war, it may be recalled that the freight charge was $1.50 for sending one picul of raw silk from Huchow to Shanghai and no tax of any kind was collected by the Chinese authorities on the way.

Large quantities of raw silk were seized by the ronins and traitors in the interior and sent to Shanghai for sale during the past eight months. It was estimated that as much as $10,000,000 worth of raw silk were brought here from the villages by these ronins and traitors and they were sold at 60 per cent of the market price.

In Wusih and Soochow, the Japanese have taken over more than 10 Chinese silk filatures and organized them into the Central China Silk Company. The company is presumably organized by the Chinese and Japanese jointly under the principle of co-operation, but in reality, the Chinese filatures owners are forced to offer 51 per cent of their shares to the Japanese for "protection." The price of silk durnig the past 15 months increased from $900 in July 1937 to $1.300 in September, 1938 for the XB grade of the Peichong Silk. The following table shows the prices of different kinds of silk in the past 15 months:

Date	*Peichongching Silk XB Grade*	*Huiching Silk*	*Yili Silk XA Grade*	*XA Grade*
1937:				
July	$900	$380	$820	$700
Sept.	820	355		
Oct.	760	325	675	635
Nov.	760	320	675	635
Dec.	770			635

1938:				
Jan.	780	310		
Feb.	790	305		
Mar.	790	320		
April	860	350		610
May	860	360	690	610
June	950	420	675	585
July	1170	470	720	650
Aug.	1300	480	720	670
Sept.	1280	500	730	685

The export of raw silk from Shanghai from January to September this year totalled 12,751 piculs as shown in the following table:

Date	*To Europe*	*To America*	*To India & Africa*	*Total*
Jan.	324	602	135	1,061
Feb.	135	—	37	172
Mar.	127	20	53	200
April	274	66	79	419
May	574	275	121	970
June	1,160	312	246	1,718
July	788	722	986	2,496
Aug.	1,020	1,341	958	3,319
Sept.	436	1,395	565	2,396
Total	4,838	4,733	3,180	12,751

The export of silk and cocoons between January and August this year from Shanghai was given in the following table:

Chiachang silk	$1,027,117
Shunkung silk	10,649
Yenchang silk	256,608
Peichong silk	10,298,470
Shunkung silk	120,249
Pei silk	986,051
Huangshihchin	776,134
Huangchong silk	566,049
Waste silk	393,796
Changyi	40,093
Lanshihmen	305
Hua silk	180,703
Total	$18,015,600

Silk Weaving

Before the outbreak of hostilities, 526 silk weaving factories with a total of 7,376 weaving machines were operating in Shanghai. After the withdrawal of the Chinese troops from the vicinity of Shanghai at the latter part of 1937, practically all the factories suspended operations. According to an investigation made in June, this year, 119 factories with 2,067 weaving machines resumed operations in the International Settlement and the French Concession. In July 10 more factories resumed operations with a total of 133 weaving machines. By the end of September, it is estimated that a total of 266 factories with a total of 3,833 weaving machines resumed operations. In the prosperous years, these weaving factories produced as much as $40,000,000 worth of silk piece goods in a year.

Saved from Brothel

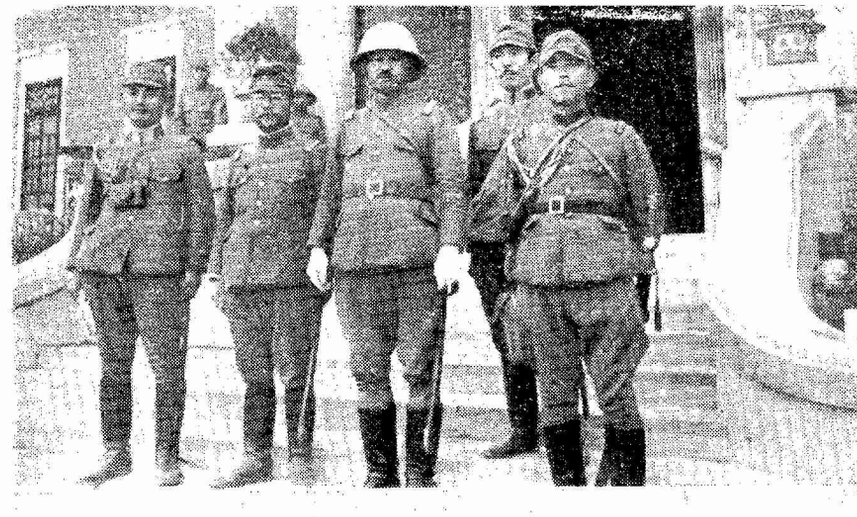
Two girls were saved from a life of prostitution Dec. 2 by Sub-Inspector Varndell of the Louza Police Station.

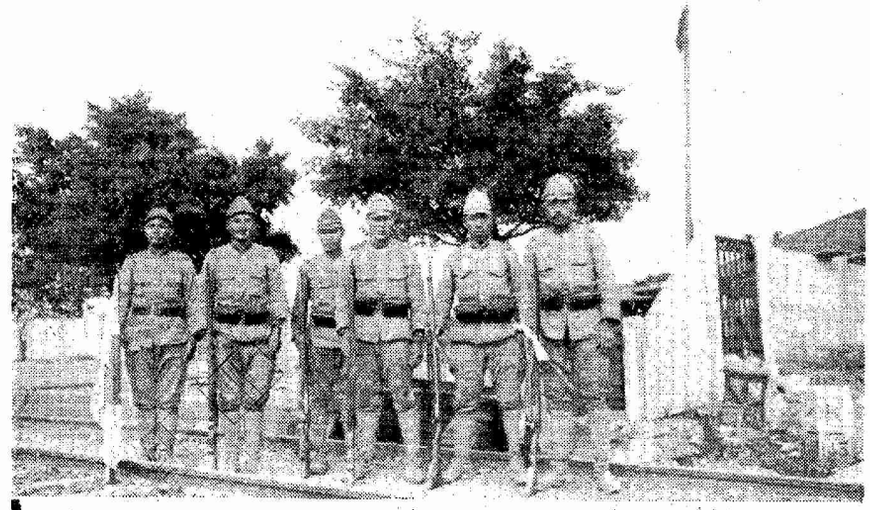
One, a 15-year-old orphan, was in such serious condition that she will need hospital treatment for several weeks. She was sent to the Door of Hope last week. The other was a country girl, age 17, brought here by a farmer sometime last year.

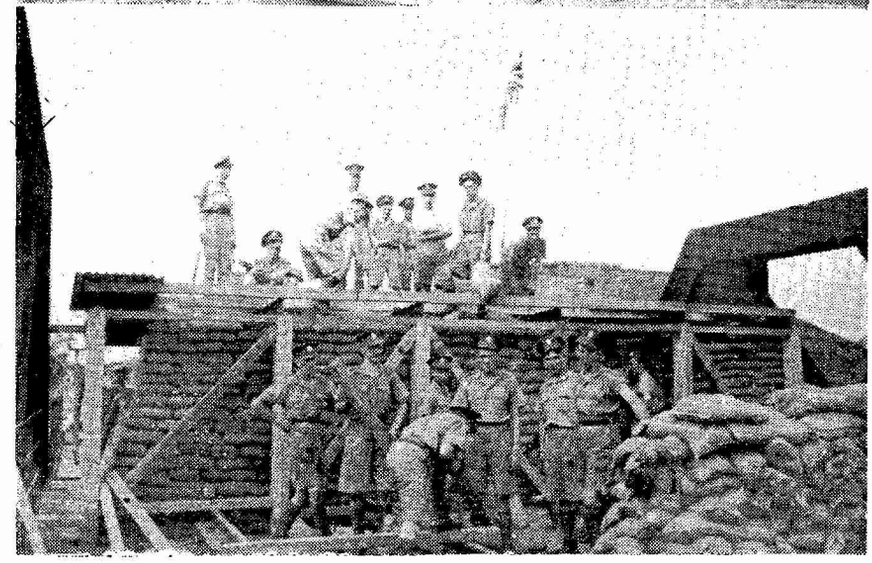
The "owners" of the two girls, women conductors of disorderly houses, two of their assistants and a procurer were brought to trial at the First Special District Court. They were charged with offense against public morality by Mr. Thomas S. Lea, municipal advocate. The accused were to be sentenced this week. Since last December the two girls had been visiting various downtown amusement centers regularly.

The Vice Squad of the Louza Police Station has rescued numerous girls from prostitution recently. According to the police, the total number saved this year is expected to be a record.

Japanese Violate British Territory







Photos by Gerald L. G. Samson

On November 26, during the fighting which took place at the border of the Kowloon leased territory, Japanese troops crossed the border and occupied a British military post, but withdrew when informed that they were in British territory. The incident was handled at a meeting November 29 at Samshui betwen Brig.-Gen. J. W. T. Reeves and Maj.-Gen. Juro Goto. In a statement issued by the British Military Command on December 1, the Japanese explanation that the incursion of their troops was a "mistake" was accepted. It was added that a warning had been given to the Japanese commander that no future violation of the British frontier would be countenanced under any circumstances and that British troops had been ordered to take "appropriate action" if any such violation occurred. Pictures show (1) Maj.-Gen. Goto with his staff outside the casino at Shumchun (2) Japanese soldiers facing British troops 150 yards from the British lines (3) British soldiers of the Middlesex Regiment at the British end of the Shumchun bridge which marks the Sino-British border.

Washington Considering Imposition of Sanctions Against Japan

WITH no apparent progress having been made toward securing Japanese compliance with the demand that foreign shipping and trade rights be restored on the Yangtsze, and that Japan proceed to implement her oft-repeated promise to preserve the "Open Door" in China, a significant report came out of London this week to the effect that high administration officials in Washington are studying the possibility of applying economic sanctions against both Japan and Germany.

According to a *Reuter* dispatch from London Dec. 6, a confidential report, proposing two methods by which the President could impose such sanctions without consulting Congress, is under consideration.

The President, it was stated, has this power under the Hawley-Smoot Tariff Act and the Federal Code, in the case of countries found to be discriminating against the United States. The question arises, however, as to whether a Japanese refusal to maintain the "Open Door" could be held to be discrimination as defined in those statutes. Similarly, there is doubt as to whether Germany's barter agreements with other countries could be construed as discrimination.

In the British House of Commons and in the House of Lords this week questions were asked and statements made concerning the damage being done to foreign trade interests, other than Japanese, by Tokyo's current policy. In the Commons Dec. 6 Mr. Adrian Moreing, Conservative member for Preston, asked what steps were being taken to remove the pressure allegedly being exercised by the Japanese authorities in North China upon Chinese firms, to compel the latter to ship goods in Japanese or German ships, instead of in British ships.

Mr. R. A. Butler. Under Secretary of State for Foreign Affairs, replied that the position was that a ban existed at Chefoo, and other ports in Shantung, on the export to South China of certain articles, these not being the property of Third Power nationals.

One Case Cited

In one case which was brought to the notice of the Foreign Secretary, Lord Halifax, shipment in a foreign vessel was permitted, although the goods, apparently, were Chinese owned.

Representations had been made on the subject to the Japanese authorities in China, and to the Japanese Government, both with regard to the interference with trade in British ships, and discrimination in favor of foreign vessels.

A suggestion was made by Sir Walter Smiles, Conservative member for Blackburn, that the Japanese army authorities, and the wharf administration at Tsingtao no longer objected to British ships berthing at the wharfside, but that subordinate Japanese officials were making a large profit from lighterage charges, which the Japanese naval mission at Tsingtao compelled British shipowners to pay.

In reply, Mr. Butler stated:—

Satisfaction Promised

"As a result of representations, the Japanese naval authorities at Tsingtao have undertaken, if conditions permit, to arrange the matter satisfactorily as soon as possible.

"The British Government expect that this assurance will be implemented at an early date.

"I understand that, following complaints of excess lighterage charges, the Japanese authorities at Tsingtao recently investigated the affairs of the lighterage company, and that some reorganization has been effected."

Upholding a joint declaration made by spokesmen of the Japanese army and navy in Shanghai, Rear-Admiral Masao Kanazawa, chief of the Publicity Bureau of the Navy Office in Tokyo, declared Dec. 1 that Japan would be compelled to maintain the present situation in the Yangtsze "as long as the Chinese armies persist in their present attitude."

Japanese Allegations

Referring to allegations that arms and ammunition were supplied to Chinese guerillas by foreign vessels operating in the estuary of the Yangtsze open to free navigation, and instances of reported interference with foreign vessels by Chinese guerillas, Rear-Admiral Kanazawa recalled

Orr, in Chicago Tribune.

Chop Suey

the case of the steamer Wantung, owned by the Butterfield & Swire Company.

When the vessel entered Shanghai Nov. 29, Rear-Admiral Kanazawa said, 8,000 rounds of ammunition and two trench mortars allegedly were found on board.

An Italian ship arrived in Shanghai Oct. 7 with 10 armed Chinese soldiers on board, the spokesman said.

Chinese guerillas boarded a British steamer near Shanghai Nov. 24 and threatened the officers, Rear-Admiral Kanazawa stated.

British shipping circles in Shanghai denied the Japanese charges that British ships had carried arms for guerillas. A local British official told the *North-China Daily News* Dec. 3 that Rear-Admiral Kanazawa's statement was "curiously inaccurate in view of the fact that the Japanese authorities had free access to all reliable sources of information such as the Customs and the River Police."

British Denial

"According to the real facts," the official stated, "the ss. Wantung did not arrive in Shanghai on that day but was actually leaving. Prior to the departure of the steamer, the Chief Officer inspected a roll of bedding that had been brought on board by an unidentified Chinese and found that it contained 890 rounds of rifle ammunition. The officer immediately reported his discovery to the French police, who in turn referred the matter to the Customs River Police. Accordingly, the bedding and its contents were handed over to the River Police at 8.30 a.m. on November 29.

"Rear-Admiral Kanazawa appears to have confused this seizure with the discovery of 5,000 rounds of ammunition and two Mausers, which were found on the pontoon at which the Portuguese steamer Faro was berthed the same day."

Warships Move

The first movement of foreign vessels from Hankow to take place since the Japanese occupation was scheduled for Dec. 5, when the U.S.S. Luzon and the French gunboat Amiral Charnier were expected to depart for Shanghai. However, the Yangtsze still remains closed to foreign commercial shipping other than Japanese vessels.

The Luzon which was scheduled to arrive in Shanghai Dec. 9, was preceded downstream by the French gunboat, Amiral Charnier, and two Japanese warships in its wake. Boarding the ship at Hankow was Mr. John Davies, American consul at that city, Wilson Fielder, American missionary, James Stewart, of the American-Asiatic Underwriters, Dr. Nistrom, Swedish-American missionary, and Dr. Logan H. Roots, missionary who recently was sprayed with acid by a Japanese soldier.

At Anking, the Luzon was to pick up L. L. Fairchild, Episcopal missionary at Anking. Also at the Anhwei city are four other American missionaries marooned since last July: Dr. H. D. Taylor, Mesdames Emelin Bowne, Margaret Colson, and Blanche Meyers.

The gunboat was scheduled to stop at Nanking, Kiukiang and Chinkiang, besides Anking, on its way down the Yangtsze, to enquire about Americans. The gunboat Monocacy is remaining at Kiukiang.

Aboard the French gunboat are Major and Mme. Chauvaux and Borish Stavarovsky, French.

Mollers Buy Land

In the biggest purchase of river front property since the outbreak of hostilities in this area, the British firm of Mollers, Limited, headed by Mr. Eric Moller, has purchased an extensive land area with 1,600 feet of river frontage in Pootung. The lot is situated immediately down river from the Standard Oil Company's wharf, it was reliably reported. The property was bought from the China Realty Company last Saturday. The purchase price was said to have been £45,000.

This piece of land is potentially one of the most valuable on the Whangpoo River, local marine experts have declared. It fronts on a deep section of the river where there is little possibility of silting becoming a menace, it was pointed out. With a proper wharf, it would be a simple matter to berth the largest vessels there. For the present a machine shop and marine repair plant will be erected on the site by the new owners.

Peiping Conference

High commissioners representing the joint committee of the Provisional and Reformed Governments" will be stationed in Tokyo and Hsinking, according to a Peiping message. The decision will be confirmed at a third conference of the joint committee at Peiping on Dec. 23, the message stated. The agenda of the conference will include the following subjects: postal administration, control of raw cotton, control of foreign trade, finances, and convocation of a national assembly to voice popular opposition to Communism.

Bombardment of Kweilin May Herald Japanese Drive on Kwangsi

AERIAL bombing raids on Kweilin, commenced last week, are believed in Chinese circles to herald an imminent Japanese invasion of Kwangsi province, which thus far in the Sino-Japanese hostilities had been spared the depredations of war.

Reports received in Chungking and relayed to Shanghai by *Reuter* on Dec. 3, stated that the Japanese air raiders, in a series of attacks, had reduced the principal streets of Kweilin to ruins. Some 600 houses were reported to have been demolished. The normal population of the city is in the neighborhood of 600,000, but the number of casualties so far is not known.

Kweilin is one of China's outstanding scenic spots. It is noted for the peculiarly-shaped hills which surround it, and also for its huge caves, capable of accomodating thousands of people and therefore ideal natural shelters during air raids.

Believing a Japanese invasion of Kwangsi to be imminent, Generals Li Tsung-jen and Pai Chung-hsi, provincial leaders, issued a joint appeal from Chungking Dec. 3, urging the population of the province to remain calm and, if invasion occurs, to rise as one man to resist the Japanese.

Chinese reports stated that the Japanese might attempt to invade Kwangsi via the West River. It was thought possible that troops might be landed at Luaichow, on the peninsula across from Hainan Island, and from there push into southern Kwangsi via Pakhoi. Apart from the air raids on Kweilin, however, there has thus far been no definite move by the Japanese to embark on a large-scale invasion of Kwangsi province.

Ten Japanese warships were meanwhile reported to be engaged in shelling various points along the coast of Hainan Island. On Dec. 4, according to a Reuter dispatch from Chungking, the warships poured shells into Haikow, Yulin, Sinan and Tsising. It was believed in Chungking that the purpose of the bombardments was to test the strength of Chinese defense units on the island.

Kwangsi Drive

Chinese press reports from Kwangtung and Kwangsi Provinces indicate that the Chinese High Command in South China is rushing preparations to meet the anticipated drive by the Japanese forces into Southern Kwangsi.

In view of the possibility of the Japanese landing troops at Luaichow (Haikang) and also at Pakhoi, the Chinese authorities have already ordered the evacuation of the civilian population from these areas.

The garrison commander at Wuchow, strategic city on the West River, has been replaced. Chinese press dispatches claim that General Tsai Ting-kai, former commander of the 19th Route Army, and famed for his defence of Chapei during the 1932 hostilities, is at present directing operations on the West River front.

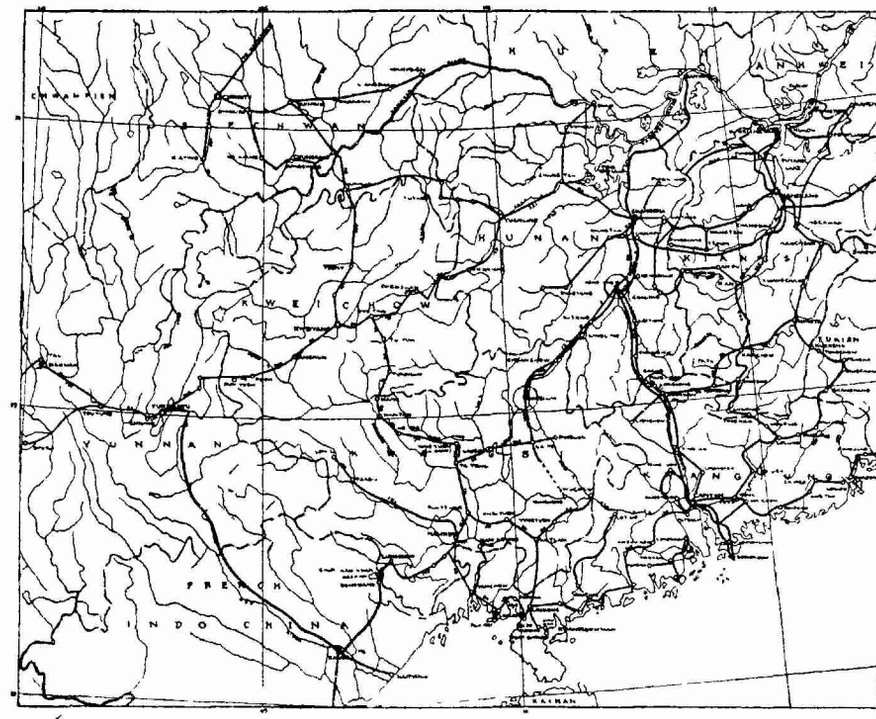
Reports emanating from Chungking through *Reuter* and *Kuo Min* indicated that severe fighting was taking place this week along the Canton-Hankow Railway north of Canton. Chinese military dispatches were quoted as reporting the opening of an offensive against Japanese troops south of Tsunghua on the night of December 1.

The Chinese vanguards were said to have reached Taipingching, 25 miles north of Canton.

Fighting on the Central China front during the week was largely confined to the Kiukiang-Nanchang sector, where, according to reports from Chungking, the Chinese and Japanese forces were separated by a distance of only 500 meters, with the Chinese holding the south bank of the Hsui River and the Japanese the north bank. The opposing forces were resorting to occasional artillery duals, while the Chinese claimed to be sending frequent raiding parties across the river at night. The heavy gunfire was reported to be distinctly audible in Yochow, which is the next objective of the Japanese forces.

Long Hairs Held Out

Chinese circles attach considerable importance to the recent allegedly successful stand made by Chinese forces, at present concentrated in the Tapiehshan mountain range in northwest Hupeh Province, against Japanese efforts to oust them.



Map showing the network of highways in China, and how Hengyang and Kweilin (circled), both important Chinese military headquarters, are linked by road with Chungking, present seat of the Chinese National Government.

Japanese columns, Chinese despatches claim, attacked Lotien and Yinshan recently, but were stated to have finally been repulsed by the Chinese in a counterattack.

Chinese circles point out that the Tapiehshan mountain range and the Taihanshan mountains in Honan Province have always been the strongholds of Chinese guerillas against foreign jinvasions.

It is recalled that the famous Chinese General Yofei, in the Sung Dynasty, operating in the Taihanshan mountain range, successfully resisted a Tartar invasion, while remants of " Long Hairs," or Taiping rebels, after the fall of Nanking, held out in the Tapiehshan mountains for over one year against repeated Manchu attacks.

In a raid on Ichang in western Hupeh last Sunday, Japanese naval planes blew up several godowns near the city and on the opposite bank of the river, the headquarters of the Japanese China Sea Fleet announced.

Naval aircraft operating in South China bombed a Chinese gunboat west of Chaoching in western Kwangtung, the statement said. A fuel boat and a 400 ton gunboat in the same area were bombed and badly damaged, the communique stated.

Chinese losses in the mopping-up operations conducted by the Japanese forces in Shansi and Hopei provinces from July to November of this year were listed at 56,079 dead and 3,090 prisoners in a statement issued by Japanese field headquarters at Shihchiachwang Dec. 5. These operations, it was stated, were being continued.

Japanese forces at present operating in the Yangtsze Valley total approximately 15 divisions or 300,000 men, while Japanese aircraft in China total over 1,200 planes, according to information received by military experts in Chungking and quoted in a *Reuter* dispatch from that city Dec. 2.

The distribution of Japanese troops in the Yangtsze valley is estimated to be as follows :

(1) Six divisions on the south bank of the Yangtsze river, distributed from Tehan, on the Kiukiang-Nanchang Railway, to Yochow, on the east bank of Tungting Lake ;

(2) Eight divisions on the north bank of the Yangtsze river, distributed from Anking, the capital of Anhwei Province, to Yingchen, northwest of Hankow, and also Sinyang, on the Peiping-Hankow Railway, north of Hankow ; and

(3) One division distributed in the Nanking-Wuhu area.

Air Force Increased

Up until last January, it is estimated the Japanese employed 800 airplanes in operations in China. However, this number is said to have been increased at present to over 1,200 machines, of which at least 600 are being used in Central China.

Meanwhile, aviation circles attach particular interest to the performance of the American Seversky two-seater pursuit planes, which the Japanese used recently in raiding Hengyang, an important Chinese base in South Hunan Province.

Hitherto Japanese bombers have been raiding cities in the interior without the escort of pursuit palnes, owing to the long distances.

As the Seversky two-seater pursuits are half-pursuits and half-bomber type of aircraft, the Japanese recently sent them to accompany bombers in raiding Hengyang.

The Chinese are watching with keen interest the results of future aerial combats between Chinese single-seat pursuit planes and Japanese two-seater pursuit machines.

Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

Nov. 17.—The "Closed Door" to foreign shipping on the Yangtsze River will be re-opened only after "complete annihilation" of the Chinese National Government, was declaration of Japanese spokesman at press conference in Shanghai. Claimed Japanese ships plying on Yangtsze were military craft, engaged in transportation of military goods only.

Spokesman of Japanese Admiralty in Tokyo gave two reasons for closure of Yangtsze to foreign merchant vessels. (1) The anxiety of Japanese naval authorities over possible international complications, and (2) the possibility that arms and ammunition will be secretly supplied by foreign merchant vessels to Chinese troops and bandits without the knowledge of the Government under whose flag the ship sails.

Nov. 17.—"Present conditions on the Pearl River are not safe enough for free navigation by foreign steamers as the Japanese Army and Navy forces are engaged in mopping-up operations against Chinese troops," Vice-Admiral Koichi Shiozawa, Commander-in-Chief of the Japanese South China Fleet, told foreign correspondents.

Nov. 17.—Military situation on Changsha front said to have improved considerably during past few days following completion of readjustment of Chinese forces. Severe fighting in vicinity of Puchi and at Tingszechiao, on Canton-Hankow Railway, near Hupeh-Hunan border. Japanese advance on Pingkiang, on Hupeh-Hunan Highway, checked by the Chinese north of Pingkiang.

Chinese aircraft bombing Japanese troop concentrations in vicinity of Samshui, in order to support present Chinese counter-attack on Canton.

Liuchow, important city in South Kwangsi, heavily bombed by Japanese planes yesterday. Many casualties reported.

Ichang, river port above Hankow, bombed twice by Japanese aircraft. Hsiaoping, 12 kilometers north of Canton, recaptured by the Chinese. Japanese claim capture of Lotien, about 60 miles east of Hankow. Chinese troops in vicinity of Wuning and Pingkiang bombed by Japanese.

Nov. 17.—Of provinces in China under Japanese occupation, only seven per cent are actually under Japanese control, according to spokesman of Executive Yuan at Chungking. Up to Oct. 24, 1938, Japanese aircraft had bombed 19 provinces and 314 towns during a total of 3,318 raids and had killed 29,968 persons, wounding 37,222.

Nov. 17.—Shanghai Post Office announced that commencing from Nov. 16, postal parcels to be transmitted by Shanghai-Nanking and Shanghai-Hangchow Railways are subject to Japanese censorship at Head Post Office, regardless of nationality of the sender.

Nov. 17.—China disappointed at present trend of British foreign policy, declared Gen. Chang Chun, Director of Generalissimo's Headquarters at Chungking. "Britain is realistic, but lacks foresight. China still believes that Britain will help her most," Gen. Chang said.

Nov. 17.—Twenty two opium shops now operating in western Shanghai district. Ten of them said to belong to the Shanghai "City Government," while the remaining 12 belong to Nanking "Reformed Government."

Nov. 17.—Foreign trade passing through the Chinese Maritime Customs during October reached the total of $49,813,323, according to the monthly report issued by Shanghai Customs.

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Nov. 18.—Chinese troops and irregulars continuing advance on Canton in three columns from the north, west and northeast. Chinese artillery units heavily shelling south-western suburbs of Canton in vicinity of Wongsha Station, the southern terminus of Canton-Hankow Railway.

Japanese planes dropped six large bombs on Shekki, causing considerable loss of life and damage to property.

On Hunan front, the Japanese are making flank movement around Chinese right wing with hope of reaching Changsha from east via Liuyang. Another column, assisted by landing party from Japanese gunboats, pushing towards Siangying, where the Siang River flows into Tungting Lake.

Nov. 18.—Sir Archibald Clark Kerr, British Ambassador to China, declared at Chungking (yesterday) that he had two talks with Gen. Chiang Kai-shek in Hunan, but denied as absolutely groundless the rumor that he offered British mediation in the Sino-Japanese conflict. China's fortitude and determination to continue resistance praised.

Nov. 18.—Japanese planes bombed Ichang twice yesterday. Thirty-five Chinese refugees killed and twenty others wounded in compound of French Catholic Convent in southern suburb of town. Considerable damage done to the Convent's buildings, though no French missionaries were hurt.

Nov. 18.—Shanghai newspapers for Tientsin banned by Japanese censors; action said taken in pursuance of the "cultural" policy of present Sino-Japanese regime at Peiping.

Nov. 18.—Gen. Li Tsung-jen, Kwangsi military leader, issued message to Kwangsi people urging them to make all necessary preparations for prolonged resistance against invaders. Said that time was China's best friend; if the campaign of resistance is prolonged, it must ultimately lead to China's victory.

Nov. 18.—Japan and Germany to conclude cultural agreement on Nov. 25.

Nov. 18.—Formal diplomatic relations opened between Italy and "Manchukuo" today when notifications of treaty of amity between them were exchanged at Italian Foreign Office in Rome.

Nov. 18.—U.S.$4,180,000 worth of ammunition shipped to China in October via Dutch East Indies, according to Japanese report.

Nov. 18.—Wu Pei-fu, ex-warlord, said slated for presidency of new puppet "Federal Government," with Chin Yun-peng, one-time Premier, as vice-president.

Nov. 18.—Lt.-Gen. Furusho, Commander-in-Chief of Japanese Forces in South China, recalled; will be succeeded by Lt.-Gen. T. Ando, Commander of 5th Army Division.

Nov. 18.—Domei reported Nanking "Reformed Government" plans shortly to issue new bank notes to replace present national currency.

Nov. 18.—Japan has no intention whatever of impairing the rights and interests of American citizens in China or discriminating against their enterprises, the Japanese government notified the United States in reply to the latter's note of Oct. 6 regarding the maintenance of the principles of the "open door" and equal opportunity in China. The Japanese Government, the note declared, does not oppose but "welcomes heartily" the participation of Third Powers in China on the basis of the "new situation that has arisen." "It is the firm conviction of the Japanese Government that in the face of the new situation, fast developing in East Asia, any attempt to apply to conditions of today and tomorrow inapplicable ideas and principles of the past neither would contribute toward the establishment of real peace in East Asia nor solve immediate issues," the note declared.

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Nov. 19.—Chinese recapture Hsuanchen, strategic city in Anhwei, southeast of Wuhu. Chinese abandoned Hsuanchen on Nov. 15 following severe Japanese attack, but recovered city on Nov. 17. Szechuan troops commanded by Gen. Tang Shih-tsun, operating on southern bank of Yangtsze below Anking, storing food and munition supplies for prolonged mobile warfare in southern Anhwei province. Japanese sources in Hongkong admit evacuation of Samshui by Japanese troops. Chinese counter-attack on Canton continues to progress. Japanese troops inside Canton Proper shelled by Chinese artillery.

Chinese High Command sending strong forces into Japanese occupied areas for large-scale offensive operations in Japanese rear. Sian, capital of Shensi, raided (Nov. 18) by Japanese planes; many persons killed.

Nov. 19.—Further remittance of £5,000 from the London Lord Mayor's China Relief Fund sent to Shanghai; the fund now totals £151,849. Excluding sums expended for medial supplies and other gifts, the cash sent up to now amounts to £108,400.

Nov. 19.—Japan's reply to the American Note of Oct. 6 regarding reopening of Yangtsze to foreign shipping an "insult to intelligence" to any American fully acquainted with the facts of Japanese aggression in China, declared prominent Shanghai American business man in interview with **The China Press.**

Nov. 19.—Sir Archibald Clark Kerr, British Ambassador to China, arrived at Hongkong from visit to Gen. Chiang Kai-shek and Chinese Government leaders at Chungking.

Nov. 19.—Yangtsze River not an international waterway, declared Japanese Embassy spokesman at Japanese press conference. Navigation on River, he pointed out, was only by right of individual treaties between power and power, and there was no collective declaration. River now under control of Japanese forces, he emphasized.

Nov. 19.—Japanese Cabinet approved (yesterday) establishment of "Asia Development Board" as central government organ to direct affairs in China. The scope of the Board's activities include:

(1) The management of political, economic and cultural affairs in China in connection with the current China hostilities. This, however, will exclude diplomatic affairs.

(2) The formulation of the Government's policies within the scope mentioned.

(3) The supervision and control of semi-official companies specially chartered for conducting business in China as well as individuals doing business in China.

(4) The co-operation and unification of the administration of China affairs by various governmental departments.

Nov. 19—Eurasia Aviation Corporation to open new route between Chungking and Kweilin on Nov. 21.

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Nov. 20.—Two thousand persons perished in the five-day conflagration which practically razed Changsha last week, according to semi-official reports received at Chungking. The Chinese Government decided to appropriate $500,000 for relief of the homeless in Hunan

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Yangchow	*Kien-ow*	Tsinan	Kaifeng	*Santai*
Hsiakwan	*Pucheng*	Pengpu	*Loyang*	HANKOW
HANGCHOW	*Santu*	Wuhu	Sian	*Wuchang*
Ningpo	CANTON	Anking	*Nancheng*	Changsha

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capital, whither police and gendarmes have returned to maintain order.
Military affairs Commission issues statement, explaining that the outbreak of the Changsha fire was due partly to misjudgment, based on rumors, on the part of the local military and police officials, and partly to spontaneous indignation against Japanese aggression on the part of the members of the People's Self-Defense Corps.
Nov. 20.—Chinese military authorities expect major Japanese attack on Northwest. Tungkwan, strategic pass on south bank of Yellow River and generally regarded as gateway to the Northwest, heavily shelled by Japanese artillery on northern bank during past few days at average of 400 shells a day. Meanwhile, Sian was subjected to severe airbombing.
Japanese troops advancing along Canton-Hankow Railway toward Changsha checked by Chinese in mountains south of Yochow. Chinese mobile column in Japanese rear recaptured Tsungyang, on Hunan-Hupeh highway.
Lienhsien, new capital of Kwangtung Provincial Government, in northern Kwangtung, bombed by Japanese planes.

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Nov. 21.—Yenan, headquarters of Chinese Communist Party, in northern Shensi, bombed (Nov. 20) by Japanese planes for first time since outbreak of present hostilities, according to Japanese report. Japanese advance into Hunan halted south of Yochow after vigorous counter-attack by Chinese forces.
Vanguards of Chinese troops converging on Canton reported only three miles from city. Gen. Chiang Kai-shek recently visited Kwangtung front.
Nov. 21.—Japanese Embassy spokesman declared at press conference Shanghai-Nanking and Shanghai-Hangchow Railways still "closed." Foreign (British) inspectors of the Administration of the two railways will not be allowed to inspect lines.
Nov. 21.—Three high officials at Changsha were executed there yesterday by firing squad in connection with the disastrous fire last week which virtually razed the Hunan capital. They were General Feng Ti, Garrison Commander, General Hsu Kun, commander of the second regiment of the garrison force, and Wen Chung-fu, chief of police. General Chang Chi-chung, Governor of Hunan, was dismissed from his post, but was ordered to carry on his duties for the present.
The Central Government has remitted $200,000 to Changsha for urgent relief of the victims of the disastrous fire. The Hunan Provincial Government has also appropriated $300,000 for the same purpose.
Nov. 21.—If the American Government sent another note to Japan regarding the principles of the "open door" and equal opportunity in China it would be "useless," according to opinions in official circles, the Tokyo **Hochi Shimbum** declared today.

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Nov. 22.—Japanese drive into Hunan province believed abandoned, at least temporarily. Japanese troops said being transferred from Yangtsze valley to South China after encountering difficulties in advance southward from Hankow without adequate support from the Navy.
In view of possible extensive Japanese airbombing, authorities at Chungking are rushing air raid precautions, 400 public dugouts built.
Nov. 22.—Japanese authorities have taken over Chinese Maritime Customs at Canton. Sir Frederick Maze, Inspector-General of Chinese Maritime Customs at Shanghai, said consulted during negotiations and agreed to Japanese extension of control over Canton Customs.
Nov. 22.—Italian Consul at Hankow protested to Japanese authorities in connection with arrest on Nov. 16 of Father Pio Belli, **Italian priest**, allegedly for "bribing Chinese to destroy building in Chinese city," where fires raged recently.
Nov. 22.—Endurance of Chinese soldiers in face of suffering and physical misery praised by Dr. M. Atal, leader of Indian Medical Unit, now visiting in Chungking.
Nov. 22.—Shanghai Chinese merchants renew movement to boycott Japanese goods. Anti-Japanese Boycott Association issues appeal, urging people never to deal with the Japanese.

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Nov. 23.—With Japanese forces remaining inactive in Yangtsze Valley, the Chinese are at present exerting pressure on Japanese positions on both north and south banks of Yangtsze, according to Chinese military spokesman at Chungking. Japanese plan to occupy Canton-Hankow Railway said frustrated. Fighting continues on Canton front.
Nov. 23.—Sikong special district, formerly known as "Inner Tibet," situated between Szechuan and Tibet, will be created into regular province, officially announced at Chungking.
Nov. 23.—National Government shortly to collect two direct taxes, war profit income tax and inheritance tax.
Nov. 23.—Cordell Hull, United States Secretary of State, expressed dissatisfaction with Japan's reply to his Note of October 6, which requested Japanese Government to cease discrimination against American enterprises in China.
Nov. 23.—Chinese Communist Party issued important manifesto, pledging continued, wholehearted and loyal support of Generalissimo Chiang Kai-shek and National Government in present campaign of resistance against Japanese aggression. Manifesto contains promise not to establish secret organizations within the Kuomintang or the Kuomintang Army. Publication of manifesto in **Hsin Hua Jih Pao** (Communist organ) at Chungking attracted widespread attention.

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Nov. 24.—Chinese claim recapture of Wushengkwan, strategic pass on Peiping-Hankow Railway on Hupeh-Honan border.
No Japanese warships so far have succeeded in entering Tungting Lake. Twenty Japanese war vessels massed between Yochow and Chenlingchi. Strong boom has been constructed at mouth of Lake, which hampers Japanese attempt to penetrate.
Nov. 24.—Japanese troops, advancing south from Sheklung, on Canton-Kowloon Railway, are approaching near Hongkong's borders. Wounded soldiers and refugees, arriving at the border, report fighting progressing at Lungkong, which is only twenty miles away. 2,000 Japanese troops landed last night at Taipinghsin, near Namtau, in Pearl River Delta, now pushing along Canton-Kowloon Railway to Shumchun, village on border of Hongkong.
Nov. 24.—Four mosques in Sian struck yesterday morning, when the city was heavily bombed by Japanese planes.
Nov. 24.—Japanese War Minister, Lt.-Gen. S. Itagaki, lays down two conditions for termination of hostilities in China: 1. A "complete reorganization" of the National Government, with a "drastic change" of personnel; 2. The rallying of the National regime to the banner of the puppet Chinese "Central Government," when the latter comes into being.
Nov. 24.—Sir Archibald Clark Kerr, British Ambassador to China, returned to Shanghai; declared Gen. Chiang Kai-shek well, fit and optimistic. Sir Archibald said that his meeting with Gen. Chiang took place in Hunan, but declined to reveal subject of discussion. Sir Archibald cabled Gordon Thompson, Secretary of British China Relief Fund in London, urging him to make fresh appeal for funds for relief of Chinese war refugees.
Nov. 24.—Great Britain rejects Japan's reply to British Note demanding reopening of Yangtsze river to British shipping. Japan's arguments against reopening of the river not regarded as valid.
Nov. 24.—Commissioner of Canton Customs denied Japanese report that the Japanese had taken over control of the Customs. Negotiations for a settlement said still progressing.

Condor Flight Ends in Crack Up

After hopping off from Tokyo on the morning of December 6, the record-breaking German Condor plane was forced down into the sea at 4.10 o'clock that afternoon when within sight of Manila, which was to have been the destination of the first leg of the return flight to Berlin.

A broken gas line forced the plane to descend 200 yards off Sunset Beach, Cavite, a popular resort about 15 miles from Manila. Fishermen rescued several of the crew, while an amphibian sent to the rescue picked up two of them. Having sunk in shallow water, the big Condor was to be immediately salvaged, dismantled and shipped to Germany.

"Deep significance" in the completion of an "anti-Comintern route of the air" by the successful flight of the German goodwill airliner from Berlin to Tokyo Nov. 30 was seen by Hachiro Arita, Foreign Minister. The record-breaking achievement, he said, would also play an important part in promoting regular air services from Japan to Germany and in shortening the distance separating Asia from Europe.

Arriving at Tachikawa airdrome outside Tokyo 46 hours 15 minutes and 52 seconds after taking off from Berlin, the giant four-motored Condor set up a new Europe-Japan record. With five hours and 20 minutes spent in refuelling stops at Basra, Karachi, and Hanoi, the machine covered 14,600 kilometers in 40 hours, 55 minutes and 52 seconds of actual flying time. Its average speed was computed at 324 kilometers an hour. The flight, Arita delcared, testified to the great power of German aeronautics, the "extraordinarily fine skill" of the plane's crew and the excellence of the machine itself.

Medals of merit of the Imperial Aeronautical Society were awarded in Tokyo Dec. 3 to the five members of the crew of the German airliner Condor, which last week set up a new Berlin-to-Tokyo flying record. The presentation was made by Baron Yoshiro Sakatani, representing the Society, to Chief pilot Herr Alfred Henke; Baron Rudolph von Moreau, co-pilot, and others. A flower vase was presented by the Society to Herr Heinrich Junge, director of the Focke-Wulk Company, builders of the machine. At a reception given after the presentation of the medals, a silver replica of the Condor and a photograph of the giant airplane flying over the Alps was given to the Society by Members of the plane's crew.

Industrial Losses Exceed $800,000,000

Direct losses of Chinese factories in Shanghai because of the current Sino-Japanese war are estimated to exceed $800,000,000, according to local industrial circles.

A special committee representing local Chinese and foreign insurance companies has been formed to study war risk insurance problems and measures to be adopted to meet such claims, according to well-informed circles. The question of meeting claims resulting from war will be studied and measures taken to meet them by the Special Committee. Problems other than those resulting from the present war, however, will be handled by the insurance companies themselves independently.

87-062

Russia and China Build Railways

Two new railway lines, which will serve as an improved artery for transporting munitions from the Soviet Union into northwestern China, are being rushed toward completion. The Chinese are now speeding up construction of a line extending from Paoki on the western border of Shensi province to Lanchow, capital of Kansu province while the Soviets are converting the motor highway linking the Turksib Railway and the Chinese border with a new rail line.

Materials for the Paoki-Lanchow rail project were reportedly obtained by the Kuomintang forces from railways, in and near Japanese-occupied zones. A check-up has revealed that the rails and ties of the Lunghai Railway between Chengchow and Tungkwan on the east border of Shensi province as well as those of the Peking-Hankow Railway, north and south of Chengchow, had been completely removed and transported to Shensi and Kansu provinces.

Meanwhile work on the new " red route " on the Soviet side is being rushed through on a 24 hour schedule employing forced labor it was said. The Paoki-Lanchow rail project is part of the extensive construction plans mapped out by the Chiang Kai-shek regime following the collapse of the Wuhan defense to develop the northwestern and southwestern areas of China in his avowed intention of protracted resistance to Japan. This was recently declared by General Chiang to be the fourth stage of the conflict.

Burma Road

The much talked of Yunnan-Burma highway has been completed. Although not yet perfect, a fairly large number of trucks have arrived from Burma by this new road. Both heavy and light trucks are now a common sight on this, Yunnan's most famous road.

Meanwhile, work on the Yunnan-Burma railway is progressing. The surveying of the line from Kunming has now reached Yunnan-i, a small bus-stop a few miles east of Talifu. At this point the new railway leaves the highway and turns southwest.

Cotton Exports Are Licensed

Export of raw cotton from North China was placed under a license system Dec. 1 by the Peiping " Provisional Government." Government agencies for the purchase of raw cotton will be established at Tientsin, Tsinan and Shihchiachwang. Under the license system a reduction in the price of cotton is anticipated; at the same time it is expected to facilitate export of raw cotton to Japan.

Buys China Cotton

From January to October this year, 1,068,358 piculs of cotton valued at $78,-206,106, were exported to Japan, Manchuria, Korea, and the Kwantung Leased Territory by the Japanese-sponsored puppet regimes In the occupied areas both in North and Central China, special cotton purchasing offices have been organized by the puppets to collect cotton from the farmers at an arbitrarily fixed price, causing serious losses and hardship to the farmers.

According to the Central Agricultural Experimental Station, 19,661,755 shih *tan* of cotton was produced last year in 12 provinces, including Hopei, Hupeh, Kiangsu, Hunan, Shantung, Shansi, Shensi, Kiangsi, Anhwei, Chekiang, Szechuan, and Honan, Prostpoto, the hostilities, the total production of cotton in these provinces is reported to be little less than the total production of last year.

China Studies B.M.C. Note Acceptance

The Chinese Government is considering taking appropriate measures " regarding the action of the Tientsin British Municipal Council in agreeing to accept Federal Reserve Bank notes in payment of taxes and bills, according to a statement issued by a Chinese Government spokesman on Dec. 2. The spokesman declined to state the nature of the measures envisaged or their extent.

Dutch Air Defense

Holland is rushing air defense in the Netherlands Indies. Amboina, principal islands of the Molucca Islands in the Indies, is to have three squadrons of new Dornier flying-boats stationed there soon.

(*Continued from page 40*)

Manchukuo or of increased exports of goods from Japan to the areas concerned.

These or other exports from Japan are not fostered by the arrangements under the currency bloc, except insofar as the stable parity of exchange makes business much easier with Japan and in terms of the yen and the yuan than in terms of the yuan and something else. Other parallel policies, however, are greatly aiding Japanese sales within the bloc. Exchange control and political domination together make it possible to keep out any foreigner and to prevent any particular purchase from a foreigner. Thus the open door becomes more and more a thing of the past. No longer is there an open door for sellers in Manchukuo. There is, to be sure, a very wide open door for buyers. But buying within the bloc is being done increasingly by Japan which can purchase more easily from within than from without.

In the United States Court for China

In re. Last Will and Testament of FREDERICK PAUL BEACH, Deceased	Cause No. 4377 Special Proceedings No. 2256 NOTICE

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Frederick Paul Beach, deceased, to present the same with vouchers to the undersigned on or before July 1st, 1939, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Frances Beach Bingham,
Executrix.
Foochow, China.

December 1, 1938.
Shanghai, China.

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87-063

Who's Who in China

Lim Keng-hor, journalist; born at Penang, Malaya, Dec. 13, 1913; descended from well-known family whose forefathers emigrated from Fukien province and helped to develop Malaya; graduate of Penang Free School and Government Commercial School; entered journalism at an early age and has

Lim Keng-hor (Lin Ching-hu)
林 鏡 虎

been connected with newspaper work for ten years; worked on different newspapers throughout Malaya; now editor of one of the daily publications of the Tribune Group of Newspapers in Malaya, which represent present-day opinion of South Seas Chinese; visited China during the latter part of 1938 as correspondent of the Malaya Tribune covering the Sino-Japanse hostilities; address: c/o The Malaya Tribune, Singapore, Strait Settlements.

Japanese Driving on Guerillas

Enlarging the scope of their mopping-up operations to include districts far away from the main routes of communication, Japanese detachments were scattering Chinese guerillas and bandits with heavy losses, Japanese military authorities in Peiping said last week. Chinese positions at Yanghotun, 22 kilometers from Sutsien, key town on the Grand Canal in northwestern Kiangsu, fell to the Japanese Nov. 26. Six thousand Chinese troops fled, leaving more than 1,000 dead, according to field dispatches received here.

Four hundred Chinese entrenched at Yinchuang, two kilometers south of Feicheng south of Tsinan in Shantung, were routed Nov. 25 after 151 had been killed and 14 captured, the messages claimed. In southeastern Hopei a Japanese detachment dispersed 300 guerillas near Wangkow, killing 63 of them. Another guerilla band numbering about 300 was scattered at Nanchaofu, 20 kilometers west of Tanghantuan, Nov. 25 after 37 had been slain. A Japanese column captured Tsaohsien, in southwestern Shantung, on Nov. 26 after driving 5,000 Chinese troops from the town. Two hundred Chinese were killed in this engagement, the field dispatches claimed.

A Japanese detachment engaged in mopping-up operations east of Hohsien in Shantung Province from Nov. 20 to 25 dispersed Chinese guerillas comprising remnants of the 81st Division, and a unit described as a young men's "do or die" corps. Chinese losses here were given as 150 dead.

Scores of guerillas, several of them armed with rifles and pistols, held up a Changhsu-bound motor truck on the Shanghai-Wusih Highway on Nov. 28 and robbed the occupants of all their valuables. Several shots were fired by the outlaws, but there were no casualties, *Domei* reported. A company of soldiers of the Fourth District Bandit Suppression Force, who were escorting another motor truck to Shanghai, were informed of the hold-up. They immediately gave chase, but the outlaws succeeded in escaping with their loot. The stolen goods were consigned to shops of Wusih city.

160,000,000 Are Hit by War

About 160,000,000 people in China have been directly or indirectly affected by the current war and 30,000,000 of them are war refugees, depending upon the government and the public charitable organizations for a living. Over 10,000,000 refugees have moved westward in the past few months.

Definite measures have been taken by the National and provincial governments to send these refugees to the interior. Uncultivated land in the interior provinces is being developed by these refugees under the direct supervision of the National Relief Commission and the Ministry of Economic Affairs.

According to banking circles, overseas Chinese remitted a total of $500,000,000 back to China by the end of October. It may be recalled that by the end of June, overseas Chinese remitted a total of $300,000,000 back home.

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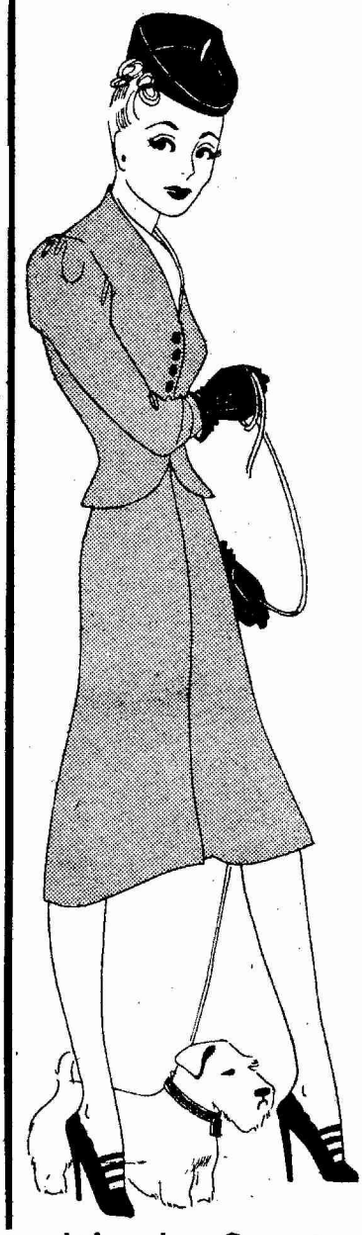

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to Dad... at the plant

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Men and Events

Sir Thomas Callender, 83, leading manufacturer of insulated cab'es for submarine telegraphs and a pioneer in electric lighting in England, died in London on Dec. 4.

Gerald L. G. Samson, well-known British writer and journalist, who recently represented *Reuters* at Hankow and elsewhere in the interior of China arrived in Shanghai last week from Hongkong.

George Grosz, famous satirical artist, whose work was classified as "degenerate art" by the German Nazis, has become a citizen of the United States, and has joined the staff of the magazine *Esquire.*

Some 50 alumni of new York University held their annual dinner dance and get-together at the winter Garden at Jessfield on Nov. 28, the host being R. Buchan, with Percy Kwok serving as master of ceremonies.

Nelson E. Lurton, who served as Acting Judge of the U. S. Court for China in the absence of Judge Milton J. Helmick, has resumed the private practice of law with the local firm of Schuhl and Lurton, 330 Szechuen Road.

Andrej Bohomolec has arrived in Shanghai to serve as Acting Consul-General for Poland and First Secretary of the Polish Legation in China. Dr. Jean Krysinski, who formerly held these positions in China has been transferred to the Ministry of Foreign Affairs in Warsaw.

Dr. Gustav Haloun, Ph. D. Leipzig, has been appointed Professor of Chinese History and Language at Cambridge University, in succession to the Rev. A. C. Moule. Dr. Halour who is author of numerous historical works on China, previously taught at Prague, Goettingen, Bonn and Berlin.

A large crowd composed chiefly of residents of the French Concession, attended a lecture on Thursday evening of last week, by Dr. Jean Tavernier, professor of philosophy and literature at the local College Municipal Francais, on the subject, "Cathedral Notre Dame de Chartres."

Alfred J. Benwell, commissioner and territorial commander for the Salvation Army arrived in Shanghai last week from North China. He was welcomed by B. Morris of the local organization. Commissioner Benwell has been connected with the organization for 50 years, starting in London in 1888.

Clarence J. Spiker, U. S. Consul-General at Basle, Switzerland, has been transferred to Hankow where he will have charge in the absence of Paul R. Josselyn, who is returning to Washington. Mr. Spiker has had extensive experience in China having served at Shanghai, Antung, Peiping, Chungking, Swatow, Nanking and elsewhere.

The *Shanghai Mainichi,* leading Japanese newspaper in Shanghai charged in its issue of last Sunday that recent transfer orders of the U. S. Navy appeared to be designed to deprive American sailors of their "common law wives of Japanese nationality," who reside in this city. The paper charged that unless the U. S. Naval authorities ceased such transfers that a number of blasted romances would be the result.

While the complete list of delegates from China to the World Christian Congress at Madras, India, has not been published, the Nov. 28 *Bulletin* of the National Christian Council, Shanghai, stated that the delegation consisted of 53 individuals, including 35 Chinese and 18 foreigners. Activities represented by the delegates embraced 24 who are concerned with church and missionary administration, 16 educational work, 5 the ministry, 3 medicine, 2 literature and 1 a layman.

The Italian Government, according to a *Reuter* dispatch from Rome on Dec. 4, has forbidden Italian journalists to act as correspondents for foreign newspapers and agencies. The decree will become effective on Jan. 1 and according to the report may greatly restrict the activities of foreign publications and compel them to depend on official sources for their news reports.

Prince Hussein of Yeman, who has been in Japan as guest of the Japanese Government for the past six months, departed for home this week. He was host at a tea party in Tokyo on Dec. 3 when the guests included Gen. Iwane Matsui, former Japanese commander-in-chief on the Shanghai front, Toyotaro Yuki, governor of the Bank of Japan and Signor Giacinto Auriti, Italian Ambassador to Japan.

Mansfield Freeman and Truman F. McCrea have been appointed to the Governing Board of Community Church in place of Dr. J. C. McCracken and George H. Greene, Jr., who have resigned. The present officers of the Board are, Chairman, John Earl Baker; Vice-Chairman, Glenn V. Fuller; Secretary, Irving S. Brown and Treasurer, Truman F. McCrea. The Rev. John P. Minter is Acting Pastor.

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The Judicial Committee of the British Privy Council, sitting in London, dismissed an appeal on behalf of a Chinese cabin boy named Cheung Chung-chi, against his conviction and death sentence in Hongkong in 1937 for the murder of the British captain of a Chinese Customs Cruiser. The murder was committed in Hongkong territorial waters.

A valuable collection of Chinese classical writings known as the " Ssu Ku Chuan Su," formerly displayed at the Wen Lun Library at West Lake, Hangchow, was taken to Szechuen Province, according to a report from Kinhwa, capital of Chekiang province, published in the *Wah Hui Pao* on Nov. 25. The books were removed by Chen Shu-lu, director of the library, and Dr. Chu Ko-chen, chancellor of the National Chekiang University.

The estate of the late John D. Rockefeller, Sr., appraised for taxation purposes in New York on Nov. 23, was valued at U. S. $26,410,837. According to the report, Rockefeller donated, during his lifetime, a total of U. S. $530,830,000 for philanthropic purposes, a considerable portion of which was expended in China through the China Medical Board, director of the Rockefeller Hospital and medical research service.

After a delay of a considerable period, the Japanese censors in the Chinese post office permitted copies of English language newspapers from Shanghai to be delivered to subscribers in Tientsin. The only exception was the American-owned *Shanghai Evening Post* which had not been received since Nov. 5. None of the papers had received official notice of the censorship.

Sailors on the British Gunboat Sandpiper adopted a Chinese baby girl which they rescued from the Yangtsze following the bombing of a Chinese steamer by Japanese planes on Nov. 30. The child, whose parents could not be found, after the vessel had been burned, was turned over to the American Yale-in-China hospital and a special foreign nurse employed to look after it.

Dr. Jose Riva Aguera, former Premier of Peru, arrived in Tokyo on Nov. 29 where he is scheduled to deliver a series of lectures at leading Japanese universities. He will remain in Japan for about two months. A Peruvian Economic Mission which spent considerable time in Japan investigating conditions concerned with the trade and strategic relations of the two countries, recetly returned to Peru by way of San Francisco.

Capt. Charles Thomas Hutchins, formerly U. S. Naval Attache at Peiping and on various occasions commander of the U.S.S. Blackhawk, Pittsburgh and other vessels, died at the U. S. Naval Hospital at Canacao, P. I., on Saturday, Dec. 3. He is survived by Mrs. Hutchins and two daughters, Mrs. H. C. Allen, wife of Lieut. Allen of the Augusta and Miss Diana Hutchins, at present in Shanghai. Capt. Hutchins retired from the Navy in 1929 and for a time was connected with the firm of Andersen, Meyer and Company. He departed for the Philippines a month ago for medical examination at the naval hospital.

Suetaro Hanabusa, 28, newsreel cameraman with *Domei* was shot and killed by Chinese troops in the course of a battle on the West River, on Nov. 29. He was a passenger on a Japanese gunboat proceeding from Samshui to Kowshiutsun when the vessel was fired upon by Chinese troops entrenched in the hills near Hochowkong. He was on the exposed top deck taking pictures when struck in the chest by a bullet. His heavy portable camera, which was strapped to his wrist, caused him to fall backward into the river. His body has not been recovered. Mr. Hanabusa was the fifth *Domei* staff member and the third cameraman to be killed since the beginning of the war.

Dr. Logan H. Roots. American Church Mission Bishop at Hankow, in the course of a lecture on the leaders of China, delivered in London on Dec. 2, before the members of the Royal Central Asian Society, said that the East was no longer willing to listen to mere preaching and good advice and that both China and Japan were watching to see whether "we are taking the medicine that we prescribe."

The meticulous German *Transocean* news service sent a dispatch from London last week stating that "anti-English" demonstrations occurred at Wick, Scotland following the action of the police in removing a land-printed poster which called upon the male population of Scotland not to take up arms in defense of the Empire and a Government in which they not represented. The poster contained the name of the Scotch National Party, according to the German message.

F. J. R. Bottrall, assistant director of the British Institute at Florence, Italy, has been appointed secretary of the School for Oriental Studies at London University, in place of Prof. Rossetti, who has resigned. Mr. Bottrall was formerly Johore Professor of English Language and Literature at Raffles College, Singapore. It was announced that a collection of 16,000 books on China and the Far East had been donated to the School of Oriental Studies by the executrix of the will of the late Sir Reginald Johnson, formerly Commissioner of Weihaiwei and English teacher to Henry Pu-Yi.

Hiram College, Hiram, Ohio, has conferred an alumni award for Distinguished Service upon Dr. M. Searle Bates of Nanking University. Dr. Bates was a student at Hiram College before he took graduate work at Harvard, Yale and Oxford. The citation stated that Dr. Bates' work in Mesopotamia as well as in China had been "characterized both in his undergraduate years and later in his activities at Oxford by a hunger for truth, a high sense of honor, and a willingness to serve his fellow-men and a representative of Christian missions at their intellectual and best."

The Chinese Buddhist Abbot, Hung Ming, who lost his mind as a result of imprisonment at Hankow recently, died at a mental disease hospital in Shanghai on Dec. 2. Abbot Hung Ming, according to the report was active as leader of the Monks Rescue Corps which assisted in the transport of wounded soldiers from the Chinese front to base hospitals in the rear. After the conclusion of the war on the Shanghai front he went to Hankow, but aroused the suspicion of the Chinese authorities there on the ground he was serving as a Japanese spy. He was imprisoned for several months and never recovered from the experience. Numerous friends and sympathizers attended his funeral service at a Buddhist temple on Changsha Road.

Chinese students, numbering 52, received diplomas at the June and October Scholastic Sessions in France, according to *Havas* report from Paris on Dec. 2. Most students attended the University of Lyons where 40 were enrolled, six specializing in law, 12 in medicine, and pharmacy, 11 in science, 8 in letters, two in industrial chemistry and one in veterinary. Six students received diplomas from the University of Paris, one in law, one in science, one in literature, two in art and one in agriculture. Three graduated from the University of Grenoble, one from Toulouse Institute of Agriculture and one from the Beaume School of Agriculture Among the students receiving special honors was Hsu Pao Ting in Engineering; Tien Kiu in Science while Hou Tien Yeou received a second medal and special honors from the Salon of French Artists.

Quo Tai-chi, Ambassador to Great Britain, held an exhibition of unusual drawings by an 8-year-old Chinese youth named Plato Chen, son of a member of the Chinese Embassy. The drawings and caricatures dealing with Hitler, Mussolini and Japanese warlords, in the words of the critics, "showed vigor, imagination and firmness of outline far beyond the years of the youthful artist." The proceeds of the exhibition were contributed to relief in China.

Miss Joy Homer, an American woman writer, arrived in Shinghai last week and plans to remain in China for sometime as a volunteer worker in connection with the service of the American Church Committee on China Relief. The organization has the support of the Foreign Mission Conference of North America and the Federated Council of Churches of America which have a combined membership of 40,000,000 people. Miss Homer stated that the organization was also seeking the cooperation of Catholic and Jewish religions bodies.

Mrs. M. D. Eubank, well known for many years in mission work in China, died at her home in Raytown, Missouri on Dec. 2. Mrs. Eubank came to China with hre husband in 1900 and joined the Baptist Hospital at Huchow where they remained until 1915 when they returned to the United States and continued their service with the American Baptist Foreign Mission Society. Another well known missionary, the Rev. W. J. Drummond, died at Santa Barbara, Cal. at the age of 74, on Dec. 1. Rev. Drummond served in Nanking for several years, retiring in 1934. A daughter, Miss Ellen L. Drummond is connected with the American Presbyterian Mission in Nanking.

New War Measures Invoked by Japan

Drafts of Imperial ordinances invoking Articles VI, XXI and XXII of the National Mobilization Act have been approved by the National Mobilization Council and will be promulgated Dec. 15, the Japanese government has decided.

The three articles provide for registration of citizens between the ages of 16 and 50, restrictions on transfers of workers by placing them under a license system, and compulsory training of seamen by shipping companies.

Registrations and restrictions on workers' transfers are designed to prevent a scramble for skilled labor and to facilitate the expansion of the productive capacity of munition factories. The new ordinances will become effective about Feb. 1 next year.

British Concern Invests in N. China

Britain on Dec. 3 was revealed as the first foreign country to make a large investment in North China since the outbreak of Sino-Japanese hostilities. Mr. E. J. Nathan, chief manager of the Kailan Mining Administration, a British concern with headquarters at Tientsin, reported to Mr. Tadanori Nakamatsu, president of the Kailan Coal Sales Company, a Japanese firm in Tokyo, that he had succeeded in floating $10,000,000 worth of debentures of the Kailan Mining Administration in London.

Proceeds of the debentures will be used for the purchase of equipment to increase the Administration's production by 1,000,000 tons and also to acquire 100 freight cars from Britain. The Kailan Mining Administration has entered into a contract with the Japanese concern to supply Japan with 1,750,000 tons of coal between April, 1938, and March, 1939, whereof 1,250,000 tons will be delivered by the end of this year, it was understood.

New Books of Interest in the Far East

Stalin's Prison Camps

The Soviet Paradise Lost. By Ivan Solonevich. Translated by Warren Harrow. N.Y. Paisley Press; London, Williams and Norgate, Ltd., 1938. 314 *pages, U.S.*$2.50.

Among the various books written by escaped prisoners from the Russian concentration camps, this book presents a unique point of view, in that the author has placed his emphasis upon the organization of the camps and their relationship with the central government. It is Mr. Solonevich's thesis that the concentration camp is a normal cross section of Soviet life—with the sole difference that everything happens openly in the camp.

Solonevich's "crime" consisted of an attempted escape, together with his son and brother, from Russia. For this they were sent to a concentration camp, officially called a correctional labor camp, in Svirstroi, in the Podporozhie section of the White Sea-Baltic Combine, less than 135 miles from the border. Solonevich becomes, because of his education, the legal adviser and economist of the Accounting-Distributing Section "with more than half a ton of disconnected and crumpled dossiers and two inferior subordinate legal colleagues. "Through this section passed questions relating to the equipment and care of the camp, the allotment of work, and the transfer of prisoners to convict work projects such as the Baikal-Amur Railway. This post, as well as his brother's position as doctor at the dispensary, gave opportunity for following the workings of the camps, bound up as they were in "official red tape," personal ambitions and jealousies, and the necessities of the crual northern climate. Many descriptions of camp officials and prisoners give sharp characterizations of quite different types. The Activist, who as Saltykov has written, must be a "scamp of hardened conscience'' in order to carry on the daily routine of espionage, oppression and spoliation is shown in his camp activities Comrade Katz, "a female of uncertain age" sent from the administrative seat of the compulsory labour camps of the G.P.U. in Moscow, conducts a committee meeting with revolver on table. The Urks, an organized criminal class who terrorize the prisons, the etape and the concentration camp, are used as the prototype of "a similar organization for purposes of robbery and assault on everyone outside the camps; with the only difference that it operates on a much larger scale throughout all Russia."

Solonevich, a man in his early forties, came of a poor peasant family in northwestern Russia and occupied an official position under the Soviet Government in organized sport. Writing sport articles for magazines and the Moscow tourist bureaus gave him opportunity to visit various institutions and to travel over all of Russia, Trans-Caucasia and Middle Asia. This circumstantial description of the concentration camp is the introduction to a second volume which will relate how the author, his son and brother succeeded finally in escaping from the "Soviet Paradise."

F. M. R.

Tirade Against Women

Woman—by Earl Nicholas Kurtz; Meador Publishing Co., Boston. pp. 436. *U.S.*$2.50.

The author is described in an accompanying leaflet as "the man of the hour." He is the publisher of *The Male Voice* published under the auspices of the He-Man's Message Association, postal address—Columbia, Missouri, U.S.A. The title page describes the book as follows: "A blended digest of the fundamentals of the science of religion, history, psychology, philosophy, astrology, numerology, astronomy and logic. A crystallization of the realities of life as we have met with them thus far in our journey through Knowledge that we might ultimately find freedom in Truth."

The chapter headings take the form of brief theses, eighteen of them including the following: "Social Disorders—woman departing from her intended secondary, social and sexual spheres is the cause of social and economic degeneration of state and church; woman's present freedom is of the devil; woman, the first labor scab." The book abounds in statements such as "a women's club is the devils' assembly." Every page abounds with words in large capitals by way of added emphasis. The sum and substance of all of these words appears to be that most emphatically woman should be kept in her place. The author seems rather steamed up about it.

E. H. C.

Air Service Planned To Mandated Islands

Regular air service between Tokyo and Palau, in the Japanese-mandated South Sea Islands, will open on April 1 next year, according to an announcement from Tokyo. The Japanese cabinet has approved an annual subsidy of Yen 1,730,000 for the line.

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Paris Press Awaits Results of Franco-German "No War" Pact

The much-heralded visit of Herr Joachim von Ribbentrop, German Foreign Minister, to Paris reached its climax on Dec. 6 when the Reich Minister and the French Foreign Minister, M. Georges Bonnet, signed the Franco-German "No War" pact.

Paris newspapers welcomed the new agreement, but pointed out that since Germany is part of the Berlin-Rome axis, the value of the pact will be either proved or disproved when it is seen what its effect will be on the prevailing Franco-Italian tension in the Mediterranean.

Prior to Herr von Ribbentrop's departure for France, the German press expressed the belief that the signing of any agreement between the two nations would be an important step forward in the pursuance of the European policy inaugurated at Munich. The *Voelkischer Beobachter*, National Socialist organ, pointed out, however, that the Rome-Berlin axis would continue to be the basis of German foreign policy.

"The Foreign Ministers of the two neighbouring big powers will sign a declaration proclaiming the determination of both countries to replace the deeply-rooted rivalry and hostility of the past by a goodneighbourly relationship dictated by sound commonsense," the Nazi organ continued. The Fuehrer has repeatedly declared that no grave problem stands between Germany and France that might justify strained relations between the two countries. The German people which never harbored any feeling of hatred against France is—we are certain—looking forward with genuine joy to the forthcoming political event in Paris and it hopes that this event will, apart from directing the Franco-German relations into new channels, help to promote an entire reconstruction of Europe now in full progress of achievement.

"At this auspicious moment, it will not be forgotten, however, that the Franco-German declaration as well as the document signed by the Fuehrer and Prime Minister Neville Chamberlain on September 30, were made possible solely through the peace policy of the Berlin-Rome Axis. The Axis and the Rome-Berlin-Tokyo triangle will in future remain the solid foundation of the German foreign policy, since they alone guarantee that the only really dangerous disrupter of world peace, namely Bolshevism, will continue to be eliminated. In this feeling of security, we extend our hand to the two great western powers regardless of the fact that their system of government is different from ours, the National Socialist organ concludes,

London Comments

The visit to Paris of the German Foreign Minister, Herr Joachim von Ribbentrop, shifted into the foreground of political interest, according to lengthy despatches from Berlin and Paris appearing in the London morning papers Dec. 3. Passages in some of these despatches make it apparent that a direct rapprochement between Germany and France is not arousing in certain quarters in London such unqualified approval as was voiced by the British Prime Minister during his recent visit to Paris. It was intimated in a message appearing in the *London Times* from the French capital that the attention of the German Foreign Minister was to be drawn in an unmistakeable fashion to the way in which the Franco-Soviet pact has lost a good deal of its significance.

Tunisia Claim

At the same time, however, a French newspaper comment was cited to the effect that the Franco-German declaration can be regarded solely as the starting point for an improvement of the relations between the two countries. The German Foreign Minister was to be asked how far Germany looks upon Italy's territorial claims in respect of France as justifiable, and to what extent she is prepared to support them. M. Pertinax, French journalist, in a despatch to the *Daily Telegraph*, asserts that Germany must be held responsible for the Italian action in coming forward with these territorial claims and even goes so far as to say that during his recent visit to Rome the German Foreign Minister had suggested to Il Duce and Count Ciano a compensation in Tunis for Germany's expansion of power in Central Europe.

The Berlin correspondent of *The Times* expressed the view that the Reich sees in the Franco-German declaration merely a chance of making doubly sure of preventing any French intervention in Eastern Europe. In this connection, reference was made to the fact that on the eve the elections in the Memel territory the German section of the population put forward demands for self-government exceeding the provisions of the international Memel statute.

Japanese Building Huge Airfield Here

A mammoth Japanese airfield is now in the course of construction approximately 18 miles to the west of the Shanghai-Nanking Railway's North Station, an observer stated this week.

Bricks for use in the field, the same observer declared, are daily being transported from the ruins of Chapei, Hongkew and Yangtszepoo to the new airfield by a fleet of about 200 trucks. The sound of blasting recently so frequently audible south of Soochow Creek, the observer explained, has its origin in the blasting operations now going on among the war ruins in these areas.

Japanese authorities in the past have explained the blastings as background for war movies now being shot here by several Nipponese companies. War movies are being taken, this observer stated, but the loosened bricks are immediately afterwards transported to the airfield.

An army of 30,000 Chinese laborers, the observer said, is employed on the project. These workmen are paid 20 cents a day and their food which consists of rice and vegetables.

The projected field, he declared, is undoubtedly one of the most modern in the world and is part of the tremendous Japanese air transport development now underway in the Far East. The entire expanse of the field was first excavated to a depth of several feet and the bricks sunk into the hard ground. On the surface of the closely packed bricks a layer of sand and loam is being laid.

The new field when completed, he stated, will be suitable for landing under any weather conditions.

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